Fibank

My bank



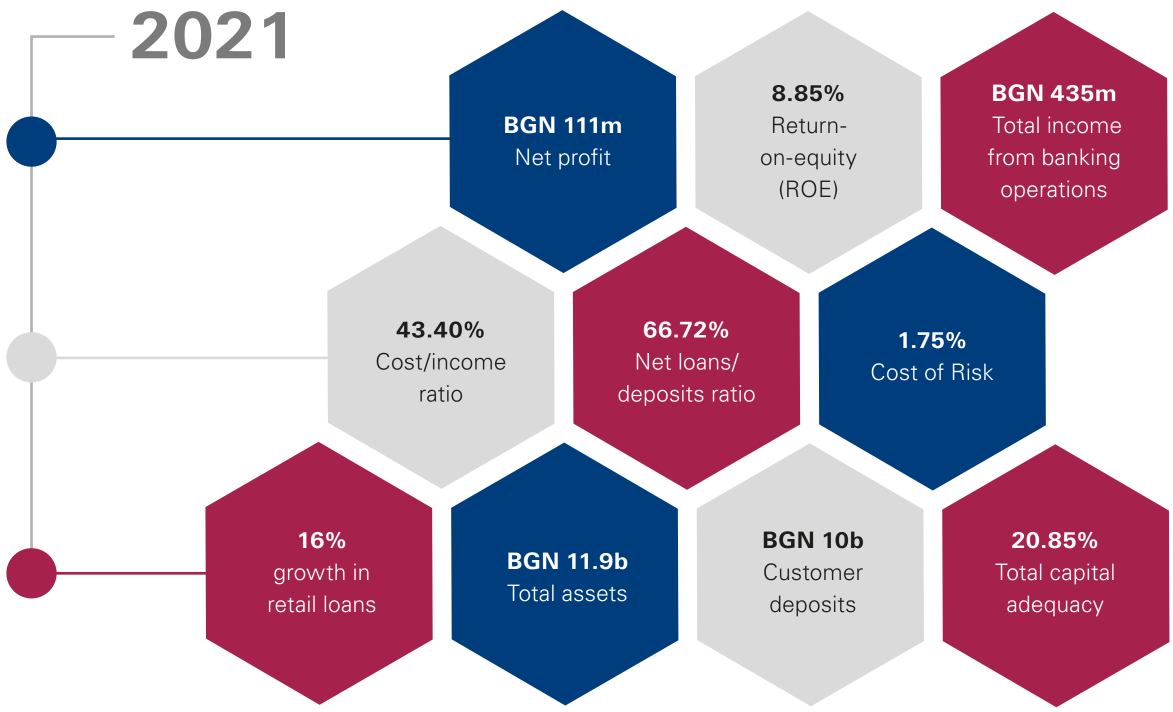




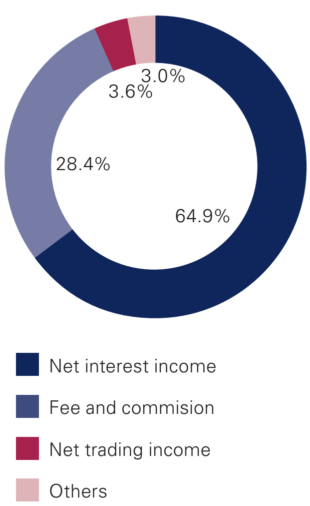
Annual report 2021

The present report is prepared on the grounds of and in compliance with the requirements of the Accounting Act, the Law on Public Offering of Securities, Ordinance №2 of the Financial Supervision Commission for initial and subsequent disclosure of information in public offering and admittance for trade on a regulated market of securities, Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and its supplementing acts, as well as the National Corporate Governance Code, approved by the Financial Supervision Commission.

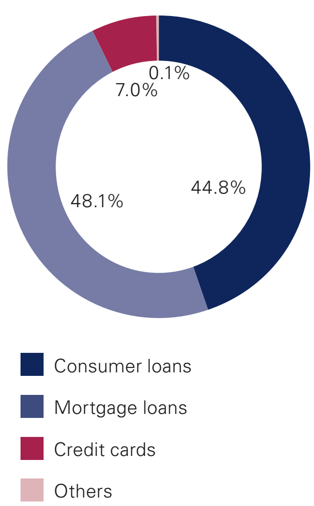
Selected indicators



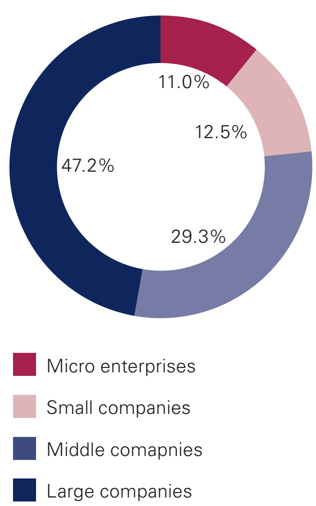
Operating income by type of income



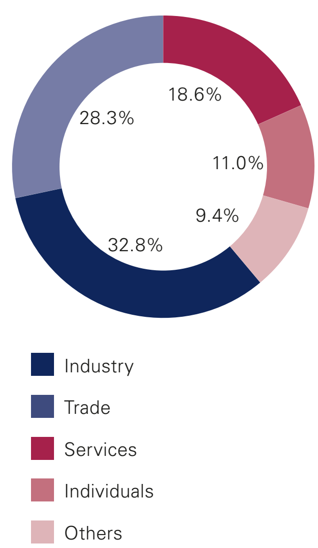
Loans for individuals



Loans for corporates



Portfolio by sectors



Contents

Message from the Managing board

Dear Shareholders, Customers and Colleagues

2021 was an intensive year, with many fluctuations in the external environment. Notwithstanding the COVID-19 pandemic that was ongoing for a second year, First Investment Bank AD (Fibank, the Bank), thanks to its accumulated experience, flexible management process and rapid adaptability to the changing environment, successfully met the challenges and achieved good results.

The Group's after-tax profit reached BGN 111 million, with increased operating income reported in all business segments. Interest income (BGN 282 million) remained the main income source with a share of 65.0%. Fee and commission income increased to 28.4% as a result of the consistent cross-selling policy, increased customer base and higher collection. The challenges of the external environment led to moderate asset growth (5% to BGN 11,897 million) along with further emphasis on digital transformation. Fibank maintained its leading position among banks in the country, ranking fifth in terms of assets with a market share of 8.32%.

Digitization and innovation dominated the development of Fibank's product portfolio. Taking into account the changing needs of customers, we developed new services and upgraded the existing ones, e.g. video consultations, online loan applications, online opening of accounts via our specially developed portal, and instant issuance of virtual cards. Fibank was among the pilot banks in Bulgaria to launch the Blink instant payments in BGN which take up to 10 seconds. We also offered our customers the Gold Account, an innovative product for storage, purchase and sale of dematerialized gold. The professionalism of our employees and the investments made in recent years in infrastructure and technology contributed to maintaining the high quality and continuity of our services.

During the year, Fibank joined various programs for providing credit lines under more favorable terms in support of people deprived of the possibility to work due to the COVID-19 pandemic. To our business customers, we offered the new Green Transport, Green Energy - Free Market, and Green Energy - Own Consumption credit products. Our loan portfolio increased by 5.4% to BGN 6,654 million, following the Bank's strategy to set a priority on the development of retail, micro and SME segments. Fibank ranked sixth by loan portfolio size among peers in the country, with a market share of 9.34%.

Rapid development in the field of innovation was balanced by new methods and approaches to risk management. A new workflow system was developed for managing retail lending processes. We maintained moderate growth of risk exposures and high liquidity (net loans/deposits 66.72%). We continued to implement integrated measures for capital management: issuance of debt-capital (hybrid) instruments, capitalization of profits and maintaining high financial discipline, with our reported capital indicators remaining well above the regulatory requirements: total capital adequacy ratio at 20.84% and CET 1 capital ratio at 17.33%. We achieved a reduction in administrative expenses to 43.40% of total revenues, in line with the Bank's development goals.

Fibank maintained a high level of trust among retail and business customers. Despite the negative trend in interest rates in recent years, deposits increased by 4.5%, placing Fibank fifth among peers in the country with a market share of 8.69%.

Achieving good financial results while implementing socially responsible management in line with the highest corporate standards have been among the fundamentals in Fibank's development. Environmental, social and governance (ESG) factors are becoming increasingly important; they set new challenges and open up new opportunities. During the year, the introduction of sustainable development requirements continued, including those related to strategic planning, risk management framework and internal governance. Fibank joined the launching of the Sustainable Lady Fund aimed at supporting innovative green projects for women entrepreneurs, as part of its Smart Lady program. A number of social initiatives were also implemented to help people with disabilities, youth development, culture and sports.

In 2021 we continued the optimization of our branch network and closed 8 offices in accordance with the changing banking attitudes of customers. We introduced a new Branch Digitalization model at our physical locations, focusing on electronic documents and electronic signing in everyday transactions with a view to reducing paper use.

All this could not have been achieved without the high motivation and dedication of our employees, to whom we extend our sincere thanks. Once again, they proved that „Together we can do More" is not just the slogan of one of the competitive programs in the Bank, but also the reality behind the symbiosis of ambitions, efforts and skills of nearly 3,000 employees. To increase the administrative capacity of the Bank and as part of the initiatives for sustainable development and social responsibility, starting from 2022 the Head Office staff will be able to move to Sofia Tech One, the new and modern building of the Bank, certified for sustainability as Excellent under the BREEAM. We believe this will contribute to increasing team cohesion and work efficiency.

All these achievements have enabled us to face the challenges of 2022 with excellent capital and liquidity positions. Recently, the dramatic events in Ukraine have eclipsed all other events on the international agenda, including the COVID-19 pandemic. At this stage, their overall impact on the political world order, the global economy, the local situation and on our customers is hard to assess. We hope that a long-term and peaceful diplomatic solution can be achieved. We continue to monitor developments closely, performing additional stress tests under different scenarios. We do not expect this crisis to have a significant impact on the Bank's operations as a whole.

During the time of the pandemic, Fibank proved its resilience and its willingness to support customers in difficult times. This was made possible thanks to their confidence and to the confidence of our shareholders and partners, to whom we extend our sincere appreciation.

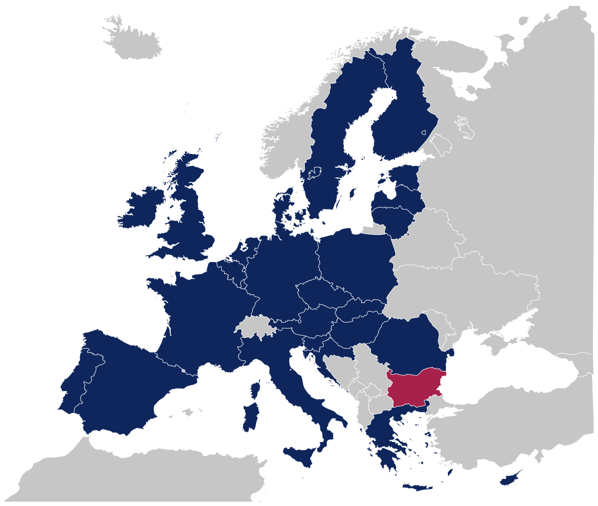
We know that Fibank's capacity is greater than this and even higher results can be achieved. We will continue to build on our achievements and to work diligently for the prosperity of the Bank and for its sustainable future.

The Management Board of First Investment Bank AD

We create our products with lots of inspiration and common sense

Macroeconomic development

Republic of Bulgaria



Indicators

Population	6,52 mln. people
Area	110,994 km^2
Member of the European Union	2007
Member of NATO	2004
Memberships in the European exchange mechanism II and the Banking union	2020
Exchange rate EUR/BGN (fixed)	1.95583
Flat tax rate	10%
Moody's	Baa1, stable
Fitch Ratings	BBB, positive
S&P	BBB, stable

In 2021, the Bulgarian economy reported signs of recovery from the pandemic related to the spread of COVID-19. The participation of Bulgaria in the European Exchange Rate Mechanism II and the Banking Union, together with the current currency board system and the fiscal policy, contributed to macroeconomic stability.

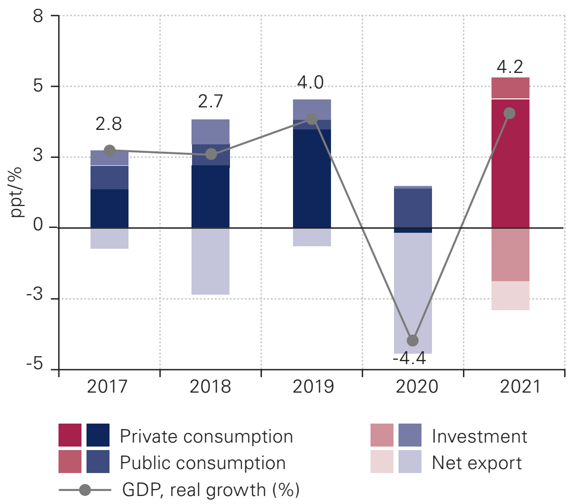
	2021	2020	2019	2018	2017
Gross domestic product (BGN million)	132,744	119,951	120,395	109,964	102,741
Gross domestic product, real growth (%)	4.2	(4.4)	4.0	2.7	2.8
Private consumption, real growth (%)	8.0	(0.4)	6.0	3.7	2.5
Public consumption, real growth (%)	4.0	8.3	2.0	5.4	4.3
Investments, real growth (%)	(11.0)	0.6	4.5	5.4	3.2
Net exports, real growth (%)	(2.3)	(6.7)	(1.2)	(4.0)	(1.6)
Inflation, at period-end (%)	7.8	0.1	3.8	2.7	2.8
Average annual inflation (%)	3.3	1.7	3.1	2.8	2.1
Unemployment, at period-end (%)	4.8	6.7	5.9	6.1	7.1
Current account (% of GDP)	(2.1)	(0.3)	1.9	0.9	3.3
Trade balance (% of GDP)	(5.0)	(3.2)	(4.7)	(4.8)	(1.5)
International reserves of BNB (BGN million)	67,666	60,334	48,574	49,037	46,279
FDI in Bulgaria (% of GDP)	1.5	3.7	2.7	1.7	3.1
Gross external debt (% of GDP)	61.8	64.6	61.3	66.1	71.8
Government and government guaranteed debt (% of GDP)	25.0	24.6	19.8	21.8	24.9
Consolidated budget balance (% of GDP)	(3.0)	(2.9)	(1.0)	0.1	0.8
USD exchange rate (BGN for USD 1)	1.73	1.59	1.74	1.71	1.63

Sources: NSI, BNB, MF, Employment agency

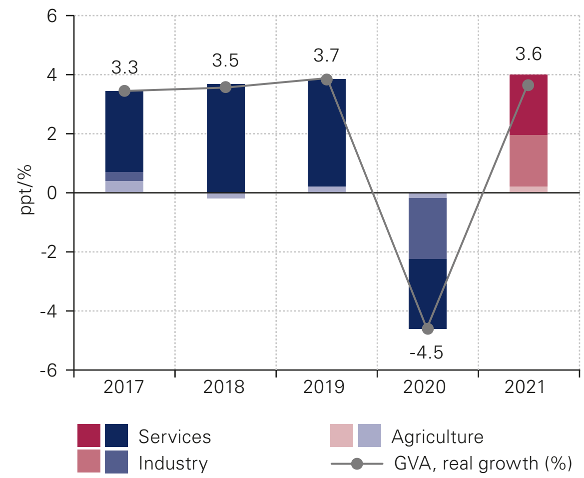
For 2021, the country's gross domestic product increased by 4.2% YOY (2020: -4.4%), as main positive drivers were private consumption at 8,0% (2020: -0.4%), as well as public consumption (2021: 4,0%; 2020: 8,3%), as a result of the continued fiscal measures taken at the state level to counteract the consequences of the pandemic.

Net exports decreased by 2.3% YOY (2020: -6.7%), and fixed capital investments were down by 11.0% for 2021 (2020: +0.6%), due to limitations in trade, as well as movement of people, goods and services, as a result of the coronavirus crisis.

Components contribution to GDP



Sector contribution to gross value added

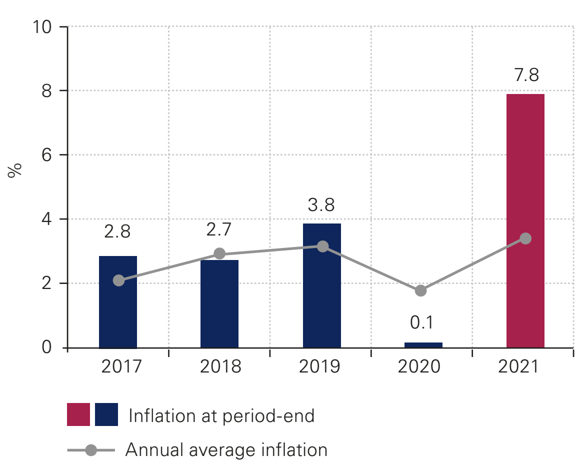


In 2021, gross value added in the economy increased by 3.6% (2020: -4.5%), with positive trends observed in all major areas of activity, including in the industrial sector, which increased by 6.6% for the period (2020: -8,2%) and more specifically in the mining and processing industry (2021: 9.4%), at the expense of construction which was down (2021: -7.8%; 2020: -1.0%).

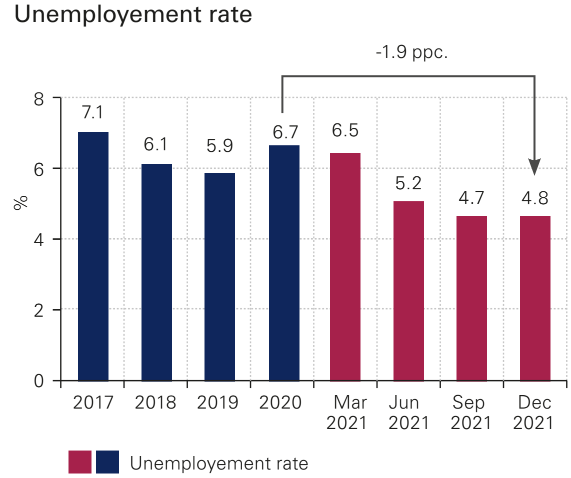
The services sector was also a positive driver for the value added , increasing by 2.8% (2020: -3.3%), and in particular in the finance and insurance sectors (2021: 7.7%), telecommunications (2021: 6.3%), real estate transactions (2021: 4.7%), public administration and healthcare (2021: 3.3%). The trade, transport and tourism sectors reported a decline of 2.5%, which remained among the hardest hit by the restrictions imposed related to the continued pandemic situation. An increase of 6.1% was reported in the agricultural sector (2020: -3.3%), mainly influenced by plant-growing sectors, incl. cereals and industrial crops and to a lesser extent by stock-breeding sectors.

In 2021, the labor market reported signs of recovery, as the unemployment rate declined to 4.8% at the end of the year (2020: 6.7%), reflecting the positive expectations of companies in terms of investment and costs. The total number of employed persons amounted to 3,081 thousand in the fourth quarter of 2021, with the employment rate (for persons aged 15-64) amounting to 68.5%. As of the end of December 2021, 64% of the workforce was employed in the services sector, 30% in industry and 6% in agriculture. The programs for job retention in the country through subsidized employment (incl. the so-called "60/40" measure) continued, which envisaged compensation in the most affected sectors, such as transport, tourism and the hospitality industry.

Inflation

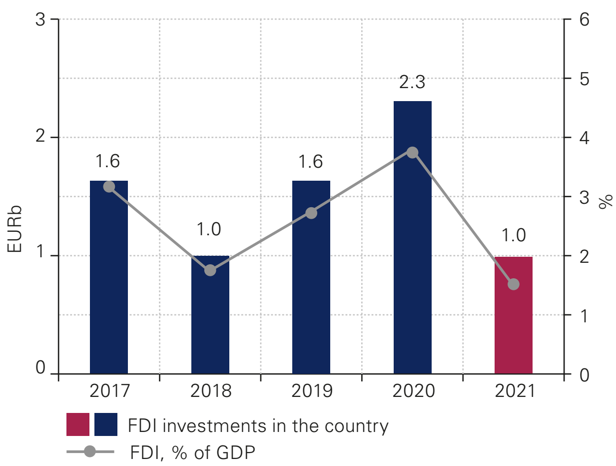


Unemployement rate

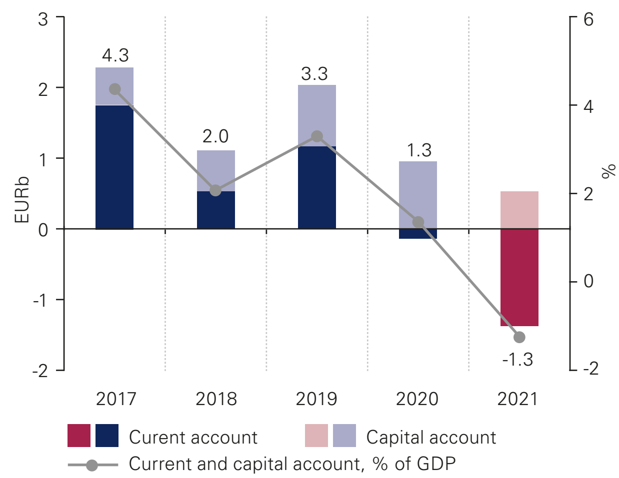


During the year, inflation in the country followed an upward trend, as the average annual inflation in 2021 amounted to 3.3% (2020: 1.7%), and inflation at the end of the period reached 7.8% (2020: 0.1%). The influence was wide-spread, with the main effect on energy products and food in an environment of significant increase in the prices of basic raw materials (natural gas, oil and other) on the international markets. The increase in prices in the non-food sector reached 9.5%, including transport (22.2%), which group has a major relative weight (35%) in the consumer basket. Food products (8.8%), services (4.5%) and catering (6.8%) also had an influence on the increase . Harmonized inflation, which is one of the price stability criteria for joining the Eurozone, was 6.6% at the end of 2021 (2020: 0.0%) and 2.8% on average for the period (2020: 1.2%).

FDI investments in the country



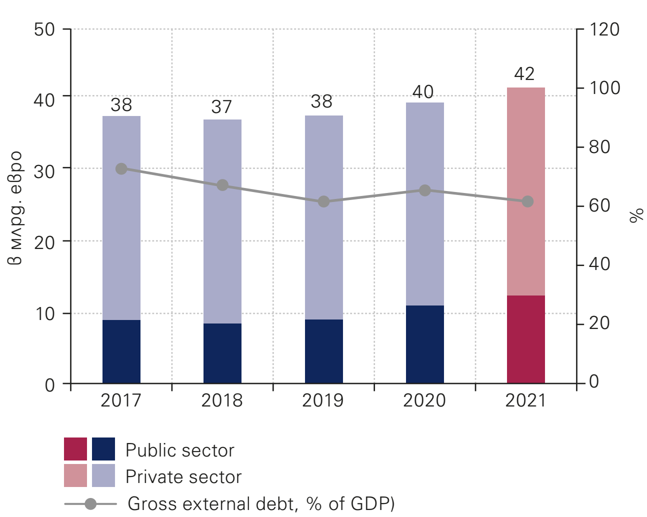
Current and capital account



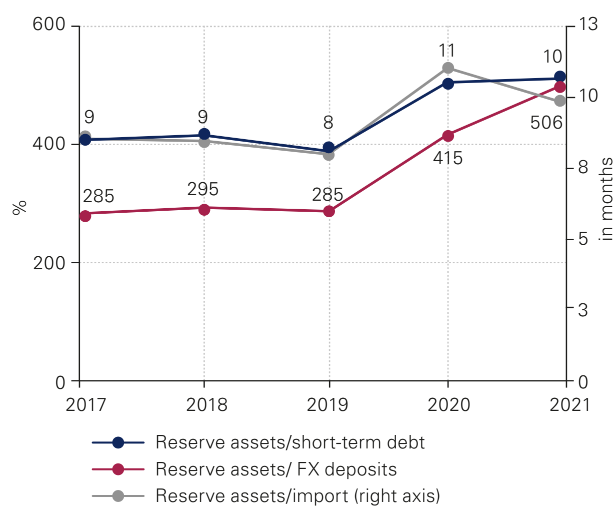
For 2021, foreign direct investment in the country amounted to EUR 1,036 million or 1.5% of GDP (2020: EUR 2,273 million or 3.7% of GDP). Such dynamics mainly reflect higher revenues from reinvested earnings, at the expense of investments in equity and debt instruments (financial, bond and trade loans). By country, most investments were attracted from Luxembourg (EUR 455 million), followed by Germany (EUR 285 million) and Austria (EUR 213 million).

The accelerated increase in imports (28.6% for 2021 YOY to EUR 37,574 million) compared to exports (25.4% to EUR 34,205 million) led to an increase in the trade deficit amounting to EUR -3,368 million or -5.0% of GDP at the end of 2021 (2020: EUR -1,945 million or -3.2% of GDP). As a result, the current and capital account deficit increased to EUR 1,381 million or 2.1% of GDP YOY.

Gross external debt



Reserve assets coverage

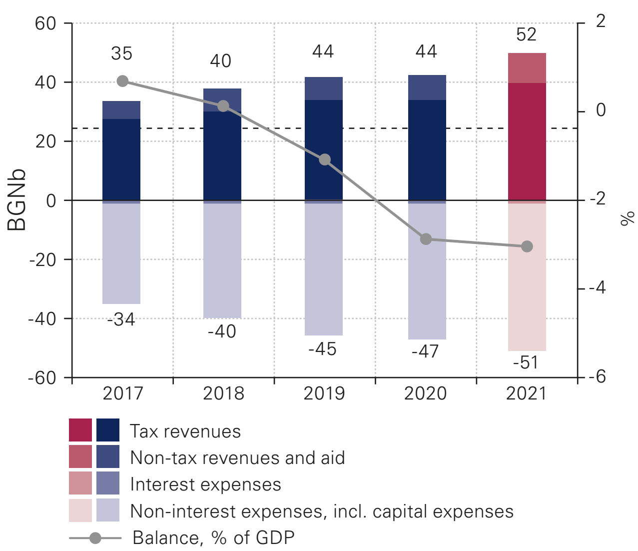


The country's gross external debt increased to EUR 41,529 million at the end of 2021, or 61.8% of GDP (2020: EUR 39,627 million or 64.6% of GDP), with more pronounced dynamics in the public sector as a result of the continued fiscal measures taken to counter the COVID-19 pandemic. Public external debt reached 18.7% of GDP by December 2021 (EUR 12,554 million), remaining among the lowest in the EU. Total government and government-guaranteed debt, including debt issued on the domestic market, amounted to 25.0% of GDP by the end of 2021 (2020: 24.6%), compared to average levels around 80% for the EU and euro area countries. The BNB reserve assets covered 515.1% of the short-term debt by the end of 2021 (2020: 507.9%) and 506.0% of the foreign currency deposits (2020: 415.4%) in the country.

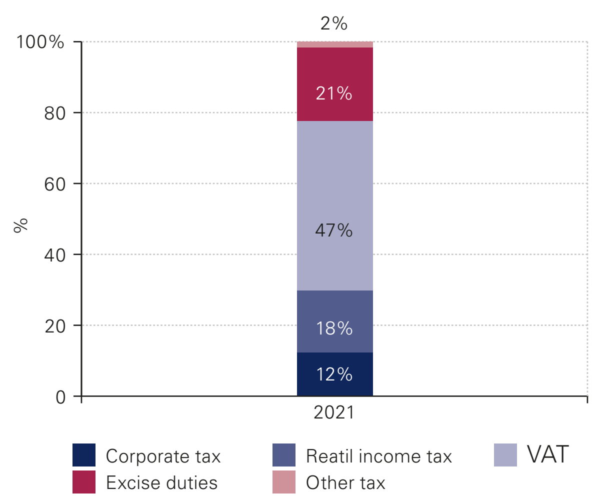
In 2021, the consolidated budget reached a deficit of BGN 3,910 million or 3.0% of GDP at the end of the year (2020: BGN 3,533 million or 2.9% of GDP), reflecting the higher growth of costs relative to revenues. Expenditures under the consolidated fiscal program increased by 17.6% to BGN 56,251 million (2020: BGN 47,850 million), mainly due to the increase in non-interest expenses as a result of the continued socio-economic measures taken to minimize the effects of the coronavirus crisis, including payments under the 60/40 subsidized employment measure, payments to front-line workers in the fight against the pandemic, expenditure on medicines and vaccines, monthly allowances for pensioners and payments to businesses and farmers.

Tax revenues also increased, albeit at a slower pace: 14% YOY to BGN 40,876 million as of December 2021, as an increase was reported in all main components, incl. personal income tax (by 15.7 % to BGN 4,839 million), corporate tax (by 25.5% to BGN 3,406 million), VAT revenues (by 17.8% to BGN 12,979 million) and excise duties (by 4.0% to BGN 5,660 million). Revenues from social security contributions also increased, amounting to BGN 12,230 million as of December 2021, of which BGN 8,841 million were social security contributions and BGN 3,389 million health insurance contributions.

Consolidated budget



Structure of tax revenues



During the year Fitch Ratings (BBB, positive outlook) and Standard & Poor's (BBB, stable outlook) confirmed the credit rating of Bulgaria, as a result of the maintained macroeconomic stability, gradual recovery of the economic activity and easing the negative effects and consequences related to COVID-19 pandemic to the economy in the country, as well as expectations on future development and integration in the Euro Area countries.

Since 2020, the Bulgarian lev has officially been part of the European Exchange Rate Mechanism (ERM) II, while maintaining the current currency board system in the country.

Expectations for 2022 include continuing processes for gradual elimination of the consequnces of the COVID-19 pandemic, taking into account the risks related to global uncertainties due to the emerging geopolitical tensions from the conflict in Ukraine and its potential effects. The estimates of the Ministry of Finance are for real GDP growth of 3.4-4.8% for the period 2022-2024, and those of the Bulgarian National Bank are of 3.6-4.5% for the period 2022-2023.

Banking system

In 2021, the banking system in Bulgaria reported increased results and stable development, driven by the gradual recovery of economic activity and consumer demand in the context of the ongoing pandemic. Contributors were the good pre-crises key indicators, including high levels of liquidity and capital adequacy well above the regulatory requirements, which contributed to the continuation of lending in line with market demand and maintaining confidence in the system. The processes of integration with the European regulatory framework continued to have an additional impact on the development of banking policies. Since 2020 Bulgaria has been part of the Banking Union through participation in the Single Supervisory Mechanism (SSM) and the Single Restructuring Mechanism (SRM).

In order to further strengthen the system and ensure buffers against the negative effects of the coronavirus, in January 2021 the Bulgarian National Bank continued some of the measures aimed at further increasing the capital of banks, including through requirements for capitalization of profits.

in % / change in p.p.	2021	2020	2019	21/20	20/19
CET 1 ratio	21.66	21.69	19.04	(0.28)	2.65
Tier 1 capital ratio	22.04	22.10	19.50	(0.31)	2.60
Capital adequacy ratio	22.62	22.74	20.16	(0.38)	2.58
Leverage ratio	10.61[1]	10.74	10.55	(0.13)	0.19
Liquidity coverage ratio (LCR)	274.1	279.0	269.9	(4.9)	9.1
Loans/deposits[2]	69.38	69.04	72.17	0.34	(3.13)
Return-on-equity (ROE)	8.93[1]	5.31	11.63	3.62	(6.32)
Return-on-assets (ROA)	1.10[1]	0.66	1.47	0.44	(0.81)
Non-performing loans and advances[3]	4.60	5.65	6.48	(1.05)	(0.83)

Source: Bulgarian National Bank

The total capital ratio for the system amounted to 22.62% by the end-2021 (2020: 22.74%), while the CET 1 ratio to 21.66% (2020: 21.69%), as the indicators were significantly above the regulatory requirements. A Contributing factor to the dynamics was the higher growth in risk-weighted assets, compared to those in the relevant components of the own funds. The leverage ratio, comparing Tier 1 capital to the total on- and off-balance sheet exposures of banks, was 10.61% as of September 2021, compared to 10.74% as of 31.12.2020.

With respect to the reported levels of growth in lending and the cyclical risks on the real estate market, during the year BNB increased twice the level of the countercyclical capital buffer from 0.5% to 1.0% effective from October 2021 and to 1.5% as of January 2023. During the year the BNB announced its annual review of the buffer for Other Systemically Important Institutions (O-SIIs) and identified as such eight banks for which individual levels were set in the range of 0.50% to 1% for 2021 and 2022. In 2021, the systemic risk buffer remained unchanged at 3% of banks' risk exposures in Bulgaria.

Liquidity in the system remained high, reflecting the consistent conservative risk management and the increased deposit base. The liquidity coverage ratio (LCR), correlating the liquidity buffers maintained by banks against net outflows over a period of 30 calendar days, increased to 274.1% at the end of 2021 (2020: 279.0%), which is well above the minimum requirement of 100%. The ratio of liquidity buffer to balance sheet assets for the system was 30.6% at the end of December 2021.

In 2021, the banking system realized a net profit of BGN 1,416 million, compared to BGN 815 million a year earlier. An increase was reported in all main sources of income, incl. in net interest income and net fee and commission income, as well as a decrease in impairment charges, which reached BGN 594 million for the period (2020: BGN 876 million).

1 Data as of 30 September 2021

2 Gross loans and advances (without central banks and credit institutions)/deposits (without credit institutions)

3 Non-performing loans and advances/gross loan and advances. (For comparability, a broad definition of loans and advances has been used, including cash balances with central banks and other demand deposits).

BGN million/ change in %	2021	2020	2019	21/20	20/19
Net interest income	2,757	2,649	2,746	4.1	(3.5)
Net fee and commission income	1,241	1,039	1,106	19.4	(6.1)
Administrative expenses	1,784	1,677	1,664	6.4	0.1
Impairment	594	876	431	(32.2)	103.4
Net profit	1,416	815	1,675	73.7	(51.4)

Source: Bulgarian National Bank

Net interest income for 2021 increased by 4.1% to BGN 2,757 million (2020: BGN 2,649 million) against a backdrop of continuing low interest rates, while net fee and commission income rose to BGN 1,241 million (2020: BGN 1,039 million), providing a solid contribution to profit and forming 27.9% of the total operating revenues of the system (2020: 25.0%). The achieved financial results accounted for return on assets (ROA) of 1.10% for the first nine months of 2021 (2020: 0.66%) and return on equity (ROE) of 8.93% for the same period (2019: 5.31%)

Total balance sheet assets increased by 9.2% YOY to BGN 135,410 million as of December 2021 (2020: BGN 124,006 million). Loans and advances had a predominant share in the balance sheet structure at 58.2% of total assets (2020: 58.9%), followed by cash and balances with central banks at 21.0% (2020: 21.9%) and investments in securities at 16.7% (2020: 14.6%), which included mainly government securities.

Lending activity in 2021 increased with more pronounced dynamics in households, compared to non-financial corporations. Residential mortgage loans increased by 15.0% to BGN 15,815 million (2020: BGN 13,752 million), while consumer loans rose by 11.0% to BGN 14,304 (2020: BGN 12,882 million) at the end of December 2021. Loans to non-financial corporations retained their major share at 53.1% of total loans to customers, reaching BGN 40,286 million (2020: BGN 38,042 million).

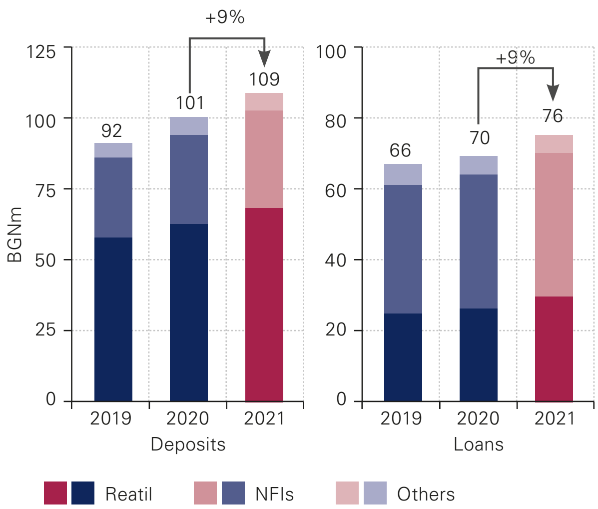
The share of non-performing loans and advances continued to decrease, reaching 4.60% of gross loans and advances as of December 2021 (2020: 5.65%). For comparability with previous periods it is calculated using a broad definition of loans and advances, including cash balances with central banks and other demand deposits. Loans to non-financial corporations accounted for the largest share in the structure of non-performing loans (63.7%), followed by loans to households (33.8%) and other financial corporations (2.4%).

BGN million / change in %	2021	2020	2019	21/20	20/19
Assets	135,410	124,006	114,201	9.2	8.6
Loans to non-financial corporations	40,286	38,042	36,573	5.9	4.0
Loans to individuals, including:	29,468	25,882	24,193	13.9	7.0
Mortgage loans	15,815	13,752	12,487	15.0	10.1
Consumer loans	14,304	12,882	12,427	11.0	3.7
Deposits from non-financial corporations	34,374	31,701	28,150	8.4	12.6
Deposits from individuals	68,107	62,636	57,616	8.7	8.7

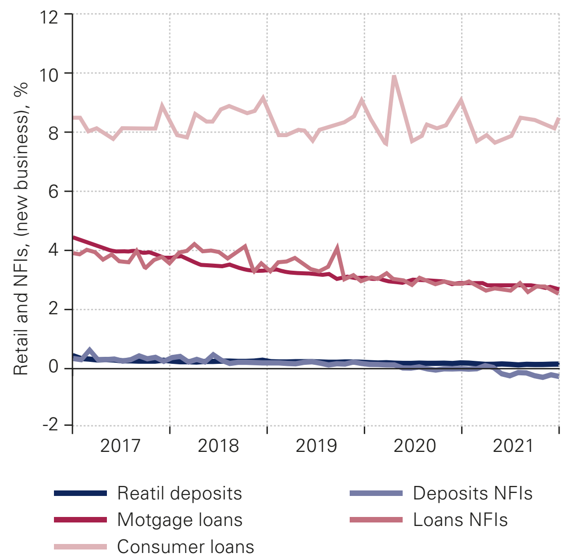
Source: Bulgarian National Bank

In 2021, the procedure (prepared by the Association of Banks in Bulgaria (ABB) and approved by Bulgarian National Bank) for the deferral and settlement of payments due to banks and their financial institution subsidiaries in connection with the COVID-19 pandemic continued (according to the terms and conditions of its implementation). The document constitutes a non-legislative moratorium within the meaning of the European Banking Authority (EBA) Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02), according to which the application of the general payment moratorium in itself should not lead to reclassification of the exposure as forborne (either performing or non-performing). As of 31 December 2021, the moratorium was applied to deferals on the amount of BGN 8,255 million, representing 10.9% of the system's gross loan portfolio. Of these, BGN 6,481 million were exposures to businesses and BGN 1,774 million to households.

Loans and deposits



Interest rates on deposits and loans



In 2021, borrowed funds in the banking system (excluding credit institutions) continued their upward trend, growing by 8.6% to BGN 109,365 million as of December 2021 (2020: BGN 100,671 million) despite the low interest rate environment, reflecting confidence in the system and uncertainty of the environment. An increase was reported both in deposits of non-financial corporations (by 8.4% to BGN 34,374 million) and of households (by 8.7% to BGN 68,107 million), retaining a dominant share of 62.3% of all attracted funds. In the currency structure of borrowed funds, the share of BGN deposits increased to 63.7% as of December 2021 (2020: 61.9%) at the expense of EUR deposits, which decreased to 29.2% (2020: 31.0%), and those in other currencies remained unchanged at 7.1% (2020: 7.1%).

During the year, the downward trend in interest rates continued in line with the dynamics in the EU and Eurozone countries. In 2021, interest rates on deposits (new business4) of households and non-financial corporations fell on average (volume weighted) to 0.06% and -0.17%, respectively (2020: 0.09% and -0.04%). A decrease was also reported in interest rates on loans (new business5): for non-financial corporations, down to 2.60% on average for the period (2020: 2.91%), for mortgage loans to 2.71% (2020: 2.88%) and for consumer loans to 8.08% (2020: 8.20%).

At the end of December 2021, there were 25 credit institutions operating in the country, including 7 branches of foreign banks, as the consolidation processes in the system continued, following the global trends for demanding optimizations in the structure and efficiency of banking institutions on the backbone of intense competition and pressure from new providers of financial services.

The significant banking institutions (according to the ECB criteria) in the country accounted for 66.1% of bank assets as of September 2021, the less significant banking institutions for 30.6%, while the branches of foreign banks for 3.3%

Among the main challenges to banks remain dealing with the uncertainties – political and economic, caused by the international circumstances, overcoming the consequences of COVID-19 pandemic, developments with respect to digitalization and cybersecurity, as well as the volume of regulations affecting the competitive advantages of banks, incl. the MREL requirements and those with respect to sustainability (ESG factors).

Regulatory framework developments

In 2021, a number of regulatory changes were realized, the more important being the following:

At the beginning of the year, changes were made to the Law on the Recovery and Resolution of Credit Institutions and Investment Firms, transposing the requirements of Directive (EU) 2019/879 (BRRD II). The changes introduced minimum requirements for own

4 Term deposits in BGN up to 1 year
5 Loans in original maturity in BGN

funds and eligible liabilities (MREL), calculated individually for each bank as a percentage of the total risk exposure amount (TREA) and the leverage ratio exposure measure (LRE), with a deadline for reaching the set minimum requirements by 1 January 2024

Changes in the Law on Credit Institutions harmonized the possibilities for the regulator to impose additional capital requirements on credit institutions, as well as to issue recommendations for additional equity in order to cover losses in stressful situations. In this regard, a new Ordinance No. 8 of the BNB on Capital Buffers, the Combined Buffer Requirement, Restrictions on Distributions and the Guidance on Additional Own Funds was adopted, which also regulates the leverage ratio buffer requirement.

In 2021, taking into account the development of innovative schemes of payment, amendments were made to the Law on Payment Services and Payment Systems. So-called "instant payments", which are performed under the SEPA Instant Credit Transfer scheme of the European Payments Council, were regulated.

During the year, changes were made to Ordinance No. 7 of the BNB on the Organization and Risk Management of Banks, harmonizing the requirements regarding materiality thresholds for credit obligations past due, as well as the provisions for managing interest rate risk in the banking book and outsourcing risk.

Changes were also adopted to Ordinance No. 4 of the BNB on the Requirements for Remunerations in Banks, further regulating the persons falling within the scope of the remuneration policy, as well as introducing exemptions from requirements for deferral, retention or payment of variable remuneration in instruments in accordance with the principles of proportionality. The EBA Guidelines on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04) were also revised.

During the period, Ordinance No. 21 of the BNB on the Minimum Required Reserves Maintained with the Bulgarian National Bank by Banks was amended, changing the definition of excess reserves, which is assumed to be any excess of holdings in reserve assets over the required amount of minimum required reserves.

Changes were made with a view to refining texts and optimizing processes concerning the centralized registers maintained by the BNB, regulated in Ordinance No. 22 on the Central Credit Register and Ordinance No. 12 on the Register of Bank Accounts and Safe Deposit Boxes.

In 2021, the development and improvement continued of the regulatory framework governing the requirements for the activities of public companies and other issuers of securities. A new Ordinance No. 2 of the FSC was adopted on the initial and subsequent disclosure of information in public offering of securities and admission of securities to trading on a regulated market. The changes stem from amendments to the Public Offering of Securities Act (POSA), introducing into national law measures for the implementation of Regulation (EU) 2017/1129 on the prospectuses.

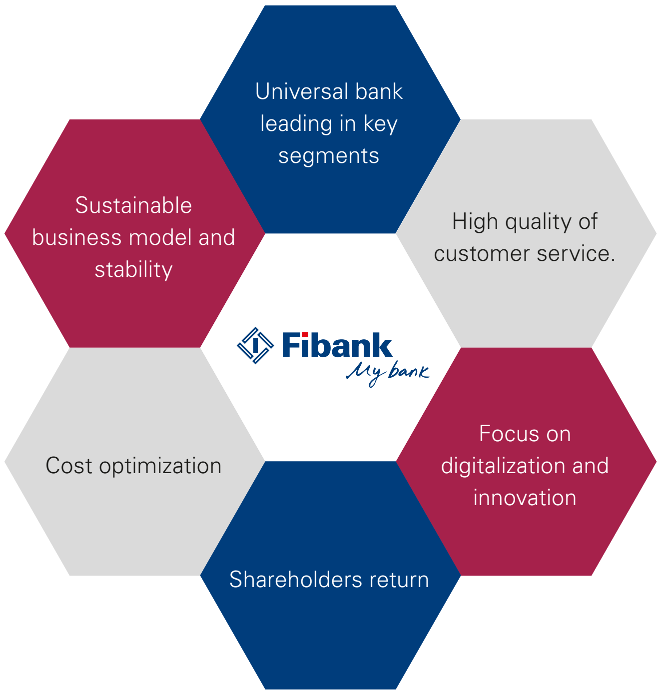
In 2021, the European legal framework governing the activities of credit institutions was supplemented and further developed with revised Guidelines of the European Banking Authority (EBA), which were adopted by the BNB for implementation in the country. Revised were the Guidelines on internal governance under Directive 2013/36/EU (EBA/GL/2021/05), the Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06), the Revised Guidelines on major incident reporting under Directive (EU) 2015/2366 (PSD2) (EBA/GL/2021/03), as well as the Guidelines on customer due diligence and factors that firms should consider when assessing the money laundering/terrorist financing risk associated with a business relationship or occasional transaction.

With a view to meeting the objectives of the European Union for implementation of the UN 2030 Agenda for Sustainable Development, as well as to achieving climate neutrality by 2050, in 2021 the environmental regulatory framework continued to evolve.

In early 2021, the implementation began of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector („Sustainable Finance Disclosure Regulation"), introducing harmonized disclosure requirements on the integration of sustainability risks into investment decision-making and investment advice. During the year, delegated regulations supplementing Regulation (EU) 2020/852 on the taxonomy were adopted, specifying the content and presentation of information to be disclosed by undertakings concerning environmentally sustainable economic, as well as the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation.

Mission and development priorities

First Investment Bank AD aspires to continue to be one of the best banks in Bulgaria, recognized as a rapidly growing, innovative, customer-oriented bank, offering outstanding products and services to its customers, ensuring excellent careers for its employees, and contributing to the community. The Bank shall continue to develop high-technological solutions providing its customers with opportunities for banking from any place around the world at any time.



For more information see section „Development priorities".

Fibank profile

Corporate status

First Investment Bank is a joint-stock company registered with Sofia City Court pursuant to a ruling dated 8 October 1993. Since 28 February 2008 the Bank has been registered in the Commercial Register of the Registry Agency.

First Investment Bank is a public company registered in the Commercial Register of Sofia City Court by a decision dated 4 June 2007 and in the register of public companies and other issuers held by the Financial Supervision Commission by a decision dated 13 June 2007.

The Bank owns a universal banking license for domestic and international operations. First Investment Bank is a licensed primary dealer in government securities and it is a registered investment intermediary.

Participations and memberships

- Association of Banks in Bulgaria
- Bulgarian Stock Exchange AD
- Central Depository AD
- BORICA AD
- MasterCard International
- VISA Inc.
- S.W.I.F.T.
- Factors Chain International

Market position[6]

- Fifth in assets
- Sixth in lending
  - Fourth in corporate lending
  - Fifth in consumer loans
  - Sixth in mortgage loans
- Fifth in deposits
  - Fifth in deposits from individuals
- Among the leading banks in the card business.
- Among the leading banks in payment services, including international payments and trade transactions

6 Market positions are determined based on unconsolidated data from the BNB.

Market share[7]

- 8.32% of bank assets in Bulgaria
- 9.34% of loans in the country
  - – 10.84% of corporate lending
  - – 8.56% of consumer lending
  - – 6.37% of mortgage lending
- 8.69% of deposits in the country
  - – 10.27% of deposits from individuals

Correspondent relations

Fibank has a wide network built up of correspondent banks, through which it performs international payments and trade financing operations in almost all parts of the world. The Bank executes international transfers in foreign currency, and issues cheques and performs different documentary operations. Fibank is a respected, reliable and fair partner, which has built over the years a good reputation among international financial institutions and gained valuable experience and know-how from its numerous business partners, investors, customers and counterparties.

Branch network

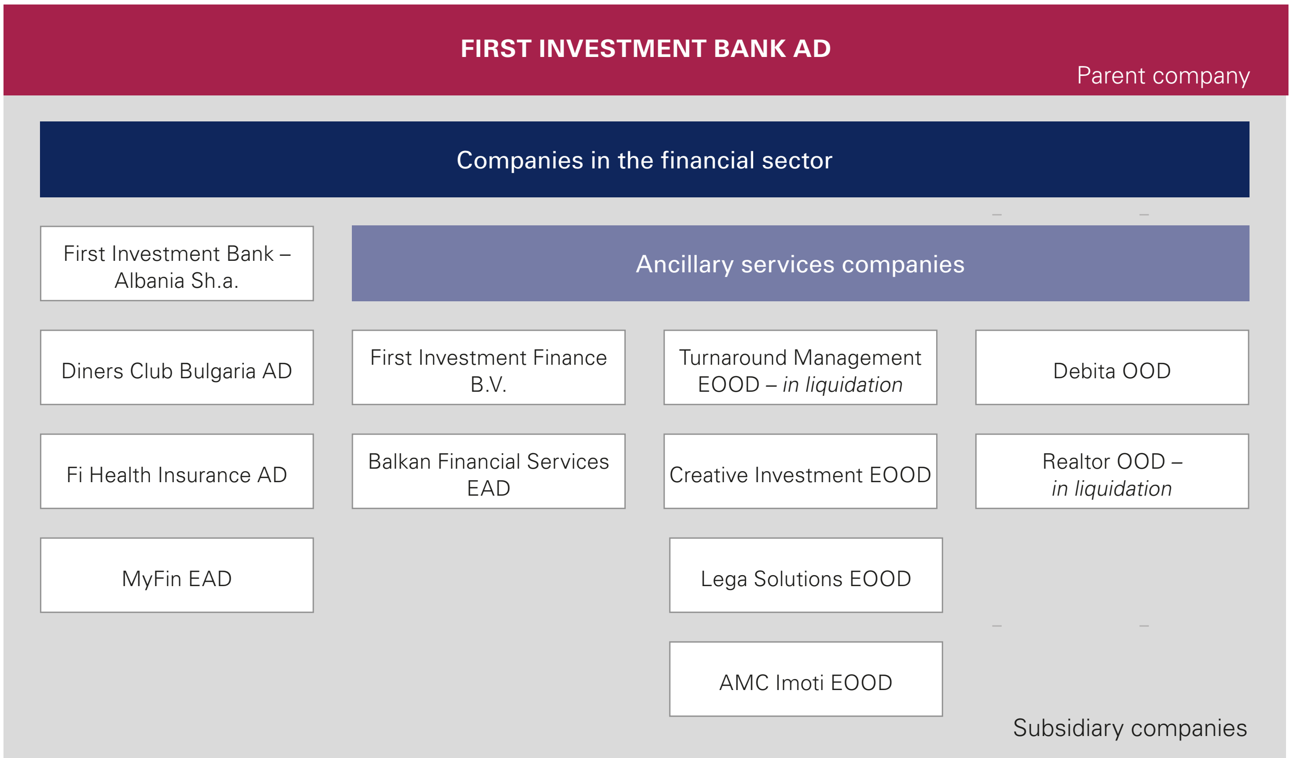
As at 31 December 2021 the Group of First Investment Bank had a total of 141 branches and offices: 126 branches and offices, including a Head Office, covering the territory of Bulgaria and a foreign branch in Cyprus, as well as a Head Office and 14 branches of the subsidiary bank First Investment Bank - Albania Sh.a. in Albania.

Fibank maintains diversification of the distribution channels, which constantly enhance in accordance with technological development and customer needs.

For further information regarding the branch network, see section "Distribution channels", as well as section "Business review of subsidiary companies".

7 Market shares are determined based on unconsolidated data from the BNB.

Subsidiaries



As at 31 December 2021, First Investment Bank AD had twelve subsidiary companies: First Investment Bank - Albania Sh.a. (100%), Diners Club Bulgaria AD (94.79%), Fi Health Insurance AD (59.10%), MyFin EAD (100%), First Investment Finance B.V. (100%), Debita OOD (70%), Realtor OOD – in liquidation (51%), Balkan Financial Services EAD (100%), Creative Investment EOOD (100%), Turnaround Management EOOD – in liquidation (100%), Lega Solutions EOOD (100%) and AMC Imoti EAD (100%).

As of 31.12.2021, the following companies were included in the consolidated financial statements of the Group of First Investment Bank: First Investment Bank - Albania Sh.a., Diners Club Bulgaria AD, Fi Health Insurance AD, and First Investment Finance B.V. The remaining subsidiaries were not included in the consolidated financial statements, as they were considered immaterial to the financial position, financial results and cash flows of the Group for the year ended 31.12.2021. The assessment for consolidation of subsidiaries is reconsidered at each reporting date.

In 2021, the capital of the subsidiary MyFin EAD was increased from BGN 1 million to BGN 2 million in order to develop its activity and offer new services to customers.

During the year, decisions were made to terminate the activity of the subsidiaries Realtor OOD and Balkan Financial Services EAD and liquidation proceedings were opened for these companies. In January 2022, pursuant to the decision to close the subsidiary Turnaround Management EOOD, the company was deleted from the Commercial Register.

For further information regarding subsidiary companies, see section "Business review of subsidiary companies", as well as Note 36 "Subsidiaries" of the Consolidated Financial Statements for the year ended 31 December 2021.

Awards 2021

- First Investment Bank was awarded as Digital Bank of the Year – Bulgaria by the international Global Brands Magazine for its contribution to the development of innovations and ensuring a secure and reliable digital banking system.
- For yet another year, Fibank won the Favorite Brand award and the first place in the Financial Institutions category of the My Love Marks consumer rating.
- Fibank received the Golden Heart Award of Business Lady Magazine for its consistent policy in the field of corporate social responsibility.
- In 2021, the subsidiary MyFin EAD received a brand recognition award and was a finalist in the Green Planet category of the annual awards for charity and corporate social responsibility held by Business Lady magazine.

First investment bank: dates and facts

1993	First Investment Bank was established on 8 October 1993 in Sofia. Fibank was granted a full banking license for carrying out operations in Bulgaria and abroad.
1994-95	The Bank developed and specialized in servicing corporate clients.
1996	First Investment Bank was the first in Bulgaria to offer services enabling banking from home or from the office. Fibank was the first bank to receive a 5-year loan from the European Bank for Reconstruction and Development for financing small and medium-sized enterprises in Bulgaria.
1997	The Bank started issuing Cirrus/Maestro debit cards, Eurocard/Mastercard credit cards and the American Express card. Fibank was the first Bulgarian bank to offer debit cards with international access. Thompson Bankwatch awarded Fibank its first credit rating. The Bank opened its first branch abroad, in Cyprus.
1998	Fibank obtained its first syndicated loan from foreign banks. The Bank negotiated financing for the import of investment goods from a number of EU countries, guaranteed by export insurance agencies.
1999	The Bank negotiated a syndicated loan organized by EBRD to the total amount of EUR 12.5 million. First Investment Bank received a medium-term loan for EUR 6.6 million from a German government organization for financing of Bulgarian companies. The Bank opened a foreign branch in Tirana, Albania offering banking services to Albanian companies and individuals.
2000	First Investment Bank started developing its business in the field of retail banking. Deposits from private individuals grew 2.3-fold.
2001	Fibank launched the first virtual bank branch in Bulgaria, allowing customers to bank via the Internet. The Bank was awarded the prize “Bank of the Year” by ‘Pari’ (‘Money’) daily. Maya Georgieva (Executive Director of First Investment Bank), received the prize “Banker of the Year” from ‘Banker’ Weekly.
2002	Fibank was named “Bank of the Client“ in the annual rating of ‘Pari’ daily.

2003	Products and services to individuals became the focus of the Bank's activities. Loans to individuals increased over five times during the year. Fibank was named "Bank of the Client" for the second time in the annual rating of 'Pari' daily.
2004	The Bank expanded its infrastructure. The branch network expanded by 27 new branches and offices, the ATM network more than doubled. Fibank was awarded the prize "Financial Product of the Year" for its Mortgage Overdraft product.
2005	Fibank acquired 80% of the capital of Diners Club Bulgaria AD. The Bank issued Eurobonds to the amount of EUR 200 million on the Luxembourg Stock Exchange. Fibank was also the first Bulgarian bank to issue perpetual subordinated bonds. Matthew Mateev (Deputy Chief Executive Director of First Investment Bank) was awarded the prize "Banker of the Year" by 'Banker' weekly.
2006	Fibank was named "Bank of the Client" for the third time in the annual rating of 'Pari' daily. First Investment Bank received a syndicated loan, to the amount of EUR 185 million, organised by Bayerische Landesbank, in which 33 banks participated. The Bank's share capital was increased from BGN 20 million to BGN 100 million by transforming retained profits into new shares.
2007	First Investment Bank realized the biggest banking initial public offering of shares in Bulgaria and became a public company. „Fibank Mobile" – the first banking mobile portal created by the Bank with useful financial information for its customers, started functioning. Fibank is among the first banks in Bulgaria to implement chip technology by issuing cards. First Investment Bank – Albania Sh.a. was issued a full banking license in Albania.
2008	Fibank implemented a new centralized and integrated core banking information system FlexCube. Fibank received a syndicated loan in the amount of EUR 65 million from 11 leading international banks. Fibank became the first bank in Bulgaria to launch its own corporate blog. Fibank received the OSCARDS award for innovation in the card business.
2009	Fibank started offering the sale and redemption of investment diamonds. First Investment Bank offered a new Internet service "My Fibank", which provides e-statements on bank accounts and credit cards.
2010	Fibank welcomed its one millionth client. First Investment Bank signed an agreement with IFC for cooperation in the field of trade finance. Fibank was the first Bank in Bulgaria to offer contactless payments using the PayPass technology. Fibank acquired a controlling interest in FI Health AD health insurance fund.
2011	First Investment Bank was recognized as the Best Bank in Bulgaria in 2011 by the financial magazine Euromoney. New Executive Directors of the Bank appointed – Dimitar Kostov, Vassil Christov, Svetoslav Moldovansky. Maya Georgieva (Executive Director of First Investment Bank) received the Banker of the Year 2011 award from "Banker" Weekly for market sustainability achieved and customer confidence earned
2012	Fibank was granted "Bank of the Year" award from "Bank of the Year" Association, with the best complex performance. The Bank signed an agreement with the European Investment Fund for the financing of SME under the JEREMIE initiative. Vassil Christov, Executive Director of First Investment Bank won the prestigious award "Banker of the Year" of the "Banker" Weekly

2013	First Investment Bank AD signed an agreement with the Hungarian MKB Bank Zrt. for the acquisition of 100% of the shares of MKB Unionbank EAD. Fibank finalized the issuance of new hybrid debt (two bonds emissions) to the total amount of EUR 100 million, included in the Tier I capital. Clients were provided with the opportunity to purchase online products of investment gold and other precious metals. Maya Oyfalosh was elected Executive Director of First Investment Bank AD.
2014	The merger of Union Bank EAD into First Investment Bank AD was carried out, including integration of operational systems, procedures, infrastructure, human resources, products and services. Fibank overcame the pressure on the banking system thanks to its sound liquidity, high professionalism, as well as to the liquidity support received pursuant to EC Decision C(2014) 4554/29.06.2014. Fibank was awarded as the best bank in the field of retail banking by the international portal Global Banking & Finance Review.
2015	First Investment Bank realized a joint project with the IFC for upgrading Fibank's risk management and corporate governance systems in accordance with the principles of the Basel Committee and the recognized international standards. A new independent member of the Supervisory Board was elected: Mr. Jyrki Koskelo, an accomplished professional having extensive experience with the IFC. A new organizational structure of the Bank was adopted, further developing the control functions. With a view to maintaining an open line of communication with investors and enhancing dialogue with minority shareholders, a Club of investors was created. First Investment Bank was distinguished by the global organization Superbrands as the strongest brand among financial institutions in Bulgaria.
2016	An innovative platform was launched for electronic payments using NFC-enabled mobile devices and digital bank cards. The Bank repaid the liquidity support received pursuant to EC Decision C(2014) 8959/25.11.2014. Fibank successfully passed the asset quality review and the stress test conducted in the country. New contactless debit cards for children and teenagers were developed.
2017	Fibank created its integrated e-banking platform My Fibank, using a single customer service channel (Omnichannel). First Investment Bank joined as direct participant the Pan-European Automated Clearing House STEP2 SEPA Credit Transfer (SCT). Fibank updated its core banking information system by migrating to Oracle Flexcube12. Fibank developed its online consumer credit services at www.credit.fibank.bg.
2018	First Investment Bank celebrated the 25th anniversary of its founding. A new Smart Lady program was launched in support of women entrepreneurs, mainly targeting micro, small and medium enterprises. A software Fibank Token was developed as a means of signature and authentication in the electronic banking system of the Bank. An innovative new-generation Evolve credit card was developed, combining three brands (Fibank, Diners Club and Mastercard) into one payment instrument. Fibank signed a COSME+ agreement with the Bulgarian Development Bank for the financing of SMEs.

2019	First Investment Bank successfully placed a hybrid instrument (bond issue) totaling EUR 30 million. Fibank was among the leading banks to join the global SWIFT gpi solution, which significantly improves the speed and traceability of cross-border transfers. Card services were further developed, with an emphasis on digital cards and payments using smart devices. A centralized back office was initiated in the Bank's system, its main purpose being to optimize the efficiency in servicing the Bank's customers. Fibank passed the asset quality review and stress test conducted by the ECB during the year. Initiatives were undertaken aimed at enhancing financial literacy, including among children and teens.
2020	First Investment Bank successfully increased its capital by BGN 195,424 thousand. New shareholders of the Bank became the Bulgarian Development Bank AD with 18.35% and Valea Foundation with 7.87%. Fibank was the first bank in Bulgaria, which allowed rescheduling of payments to borrowers experiencing difficulties in connection with the state of emergency and the COVID-19 pandemic. New executive directors were elected – Nikola Bakalov and Ralitsa Bogoeva, as well as new Chief Financial Director – Ianko Karakolev. Fibank supported the founding of a startup company in the field of payment services: MyFin EAD, licensed as an electronic money company with a share capital of BGN 1 million. First Investment Bank signed agreements with the Bulgarian Development Bank and Fund of Funds in support of individuals and SMEs for overcoming the consequences from the COVID-19 pandemic.

Highlights 2021

January

- Video consultation: a new customer service regarding credit products for individuals, available at www.fibank.bg and through My Fibank electronic banking.
- New gold and silver heart-shaped medallion bars, produced by the Swiss refinery PAMP following a conceptual design by Fibank.
- Fibank extended the deadline for customer requests for deferral of obligations under the moratorium on loan repayments related to the COVID-19 pandemic.

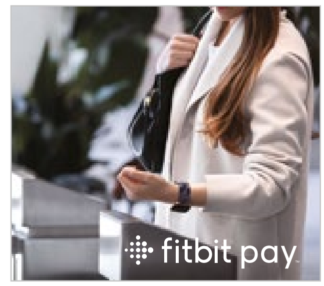
February

- Consumer loan from Fibank: provided entirely online for individuals, also featuring the option for remote signing of documents.
- Bank employees from around the country took part in the second edition of Fibank & Cook Academy: a project conducted online with the participation of renowned culinary experts.
- Fi Health Insurance further developed its products, including by offering additional coverage to the „Peace of Mind with Fi Health" policy in case of unemployment.

March

- The Bank provided the option to remotely apply for mortgage loans, available through the My Fibank mobile application.
- More functionalities were added to digital banking, allowing the use of new services and making online purchases.
- Fibank's Smart Lady program in support of women entrepreneurs and micro-enterprises was further developed, with funded projects exceeding BGN 85 million.
- Diners Club Bulgaria carried out campaigns with retail chains to promote Diners Club card payments.

April

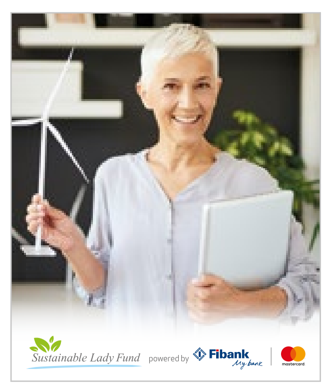


- Fibank was the first in the country to offer innovative smart watch payments using the Fitbit Pay service and digitized cards issued by the Bank.
- A branch digitalization project was launched, involving electronic signing of documents in the branch network of the Bank.
- The necessary organization was set up to implement sustainability requirements taking into account the environmental, social, and governance (ESG) factors in the Bank's activities, including in relation to strategic planning, risk management framework, internal governance and disclosure.

May

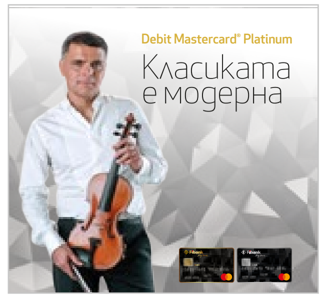
- The rating agency Fitch Ratings confirmed its credit ratings assigned to First Investment Bank.
- The option was provided for online opening of a current account with debit card through the Bank's newly developed portal https://smetka.fibank.bg/.
- Fibank introduced a new BPM (Business Process Management) system for managing processes in retail lending.
- MyFin EAD further increased its digital wallet functionalities by launching new services related to personal finance management (PFM), utility payments and online shopping.

June



- A regular annual general meeting of the shareholders of First Investment Bank was held. The meeting decided to capitalize the net profit for 2020 and elected a new independent member and chairman of the Audit Committee of the Bank.
- The Sustainable Lady Fund was set up, a joint initiative with Mastercard as part of Fibank's Smart Lady program to support innovative green projects for women entrepreneurs.
- Fibank was among the first banks in the country to join the Recovery Program of the Fund Manager of Financial Instruments in Bulgaria in support of micro and SMEs affected by the COVID-19 outbreak.

July



- Debit Mastercard Platinum was launched for the premium segment, offering a number of benefits including a virtual assistant application (AskPLEEZ!) and concierge services.
- New features were added to My Fibank e-banking, including online application for Easy Loan overdrafts.
- A new human resources management system was introduced, enabling more efficient human capital management in the Bank.

August

- A regular meeting with minority shareholders was held as part of the Bank's consistent policy for transparency, open dialogue and providing feedback.
- More favorable conditions were introduced for the credit card cashback program in the premium segment, featuring return of up to 1% of the payments made over a 6-month period.
- An initiative in support of people with short stature was implemented, as well as actions to facilitate the use of ATM terminals of the Bank by blind people.
- Information security processes and systems were improved, including by introduction of a new data control system.

September

- A new silver coin dedicated to the Year of the Tiger was launched, developed jointly with the New Zealand Mint.
- The Bank further improved its policies in the field of internal governance, including with regard to the composition of committees and councils to the Management Board.
- Fibank continued to develop its debit cards for children and teens by offering new competitive terms and including microcards and payment wearables.

October

- New products were developed for retail and business customers: the Gold Portfolio and the Eco Portfolio, linked respectively to the price of gold and to green bonds.
- Fibank was awarded by Global Brands Magazine for its contribution to innovation and digital banking, strengthened its image as an internationally recognized digital bank.
- First Investment Bank was among the pilot banks to join the Blink scheme for instant payments in BGN operated by BORICA AD.

November

- First Investment Bank offered the Gold Account: an innovative product for purchase, sale and keeping of dematerialized gold (XAO).
- An agreement was signed with the Fund of Funds for granting loans to farmers under the Financing in Rural Areas financial instrument.
- MyCard was launched: a new virtual credit card with pre-approved credit limit, issued entirely online through the My Fibank mobile application.

December

- New credit products for business customers were developed: Green Transport, Green Energy - Free Market and Green Energy - Own Use, in implementation of sustainable development initiatives.
- Two tranches were successfully subscribed of the Bank's one-year program for issuance of hybrid instruments with a total amount of up to EUR 100 million, eligible for additional Tier 1 capital.
- A decision was made to move the headquarters of the Bank to Sofia Tech One, a new and modern building certified for sustainability as Excellent under the BREEAM.

We appreciate work and beauty

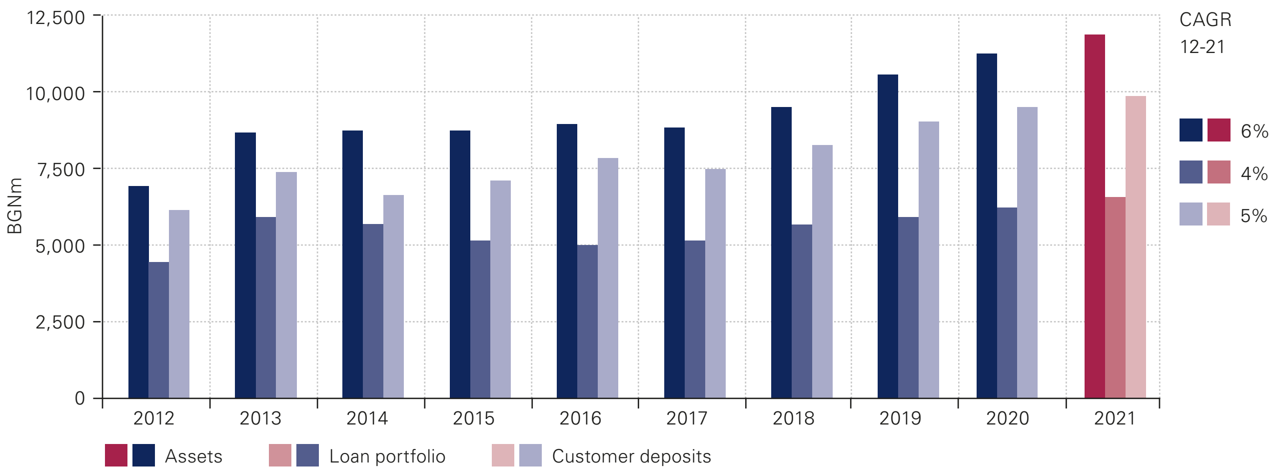
Financial review

Key indicators

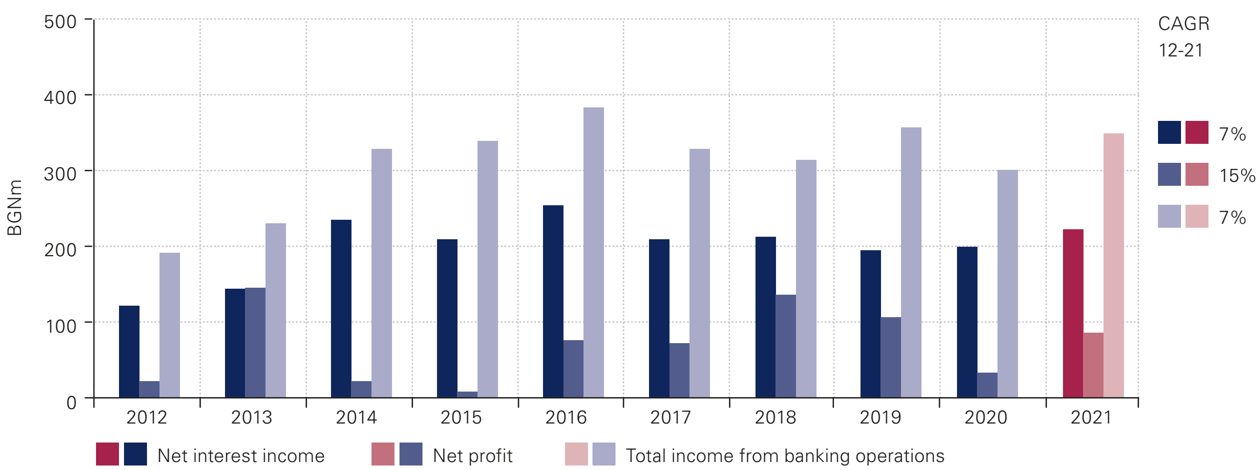
	2021	2020	2019	2018	2017
Financial indicators (BGN thousand)					
Net interest income	282,465	249,678	246,714	267,088	260,926
Net fee and commission income	123,505	99,192	106,774	97,111	102,146
Net trading income	15,742	12,531	15,378	10,809	15,326
Total income from banking operations	434,970	373,709	443,484	391,329	406,589
Administrative expenses	(192,083)	(193,807)	(220,448)	(212,066)	(204,698)
Impairment	(125,663)	(98,707)	(119,730)	(83,378)	(78,850)
Group profit after tax	111,408	45,517	137,922	171,546	92,245
Earning per share (in BGN)	0.74	0.36	1.25	1.56	0.84
Balance-sheet indicators (BGN thousand)					
Assets	11,897,221	11,335,420	10,660,175	9,586,681	8,921,198
Loans and advances to customers	6,653,944	6,312,887	6,017,137	5,716,062	5,162,907
Loans and advances to banks and fin. inst.	87,456	106,111	79,618	125,483	54,402
Due to other customers	9,973,631	9,542,276	9,104,021	8,342,691	7,583,819
Other borrowed funds	120,002	103,649	109,348	121,120	127,493
Hybrid debt	320,733	267,579	267,615	208,786	208,786
Total Group equity	1,319,842	1,216,420	978,917	846,272	947,350
Key ratios (in %)					
Capital adequacy ratio	20.84	21.28	18.34	16.15	15.89
Tier 1 capital ratio	20.72	21.15	18.28	16.15	15.87
CET 1 ratio	17.33	17.72	14.65	13.30	12.87
Leverage ratio	12.75	13.45	11.84	11.08	11.28
Liquid assets/deposits from customers	29.46	30.90	28.61	26.50	25.91
Liquidity coverage ratio (LCR)	256.37	257.17	221.64	269.21	334.85
Net stable financing ratio (NSFR)	139.81	134.47	132.74	135.45	136.43
Net loans/deposits ratio	66.72	66.16	66.09	68.52	68.08
Return-on-equity (after tax)	8.85	4.22	15.12	19.24	10.24
Return-on-assets (after tax)	0.96	0.42	1.38	1.87	1.03
Cost of risk	1.75	1.44	1.83	1.55	1.37
Net interest income/total income from banking operations	64.94	66.81	55.63	68.25	64.17
Cost/income ratio	43.40	56.34	44.58	46.46	53.01
Resources (in numbers)					
Branches and offices	141	149	158	168	166
Staff	2,867	2,910	2,825	2,868	3,221

Sustainable development

Balance-sheet indicators



Financial Indicators



The factors related to climate change and sustainable development (ecologica, social and governance - ESG), has increasing reflection on business activities and lead to changes in business models. Their implementation in all processes is fundamental for the long-term development of the Bank. It is extremely important also for adequate response to market expectations, support of clients and the community as a whole. In 2021, First Investment Bank undertook important steps (organization, roadmap) for implementing the requirements, reflecting ESG factors in the activity, its strategic planning and business strategy, risk manadement framework and internal governance. *For more information see section „Sustainable development"*.

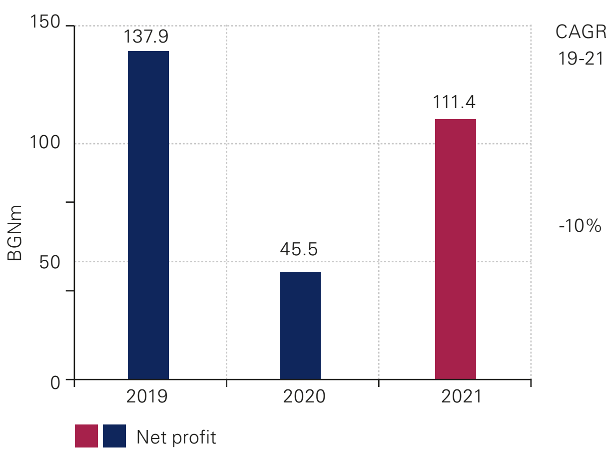
Credit rating

First Investment Bank has public ratings issued by the international rating agency Fitch Ratings. In May 2021, Fitch Ratings fully affirmed the credit ratings of First Investment Bank as follows: long-term rating "B" with a negative outlook, short-term rating "B", viability rating "b", support rating "5" and support rating floor "NF" (No Floor).

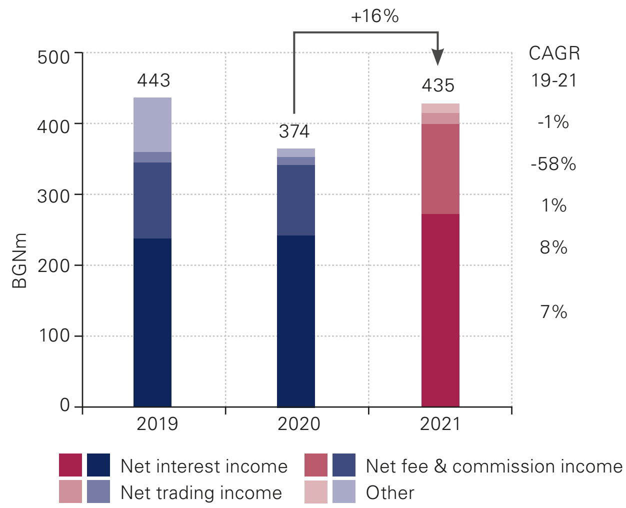
Financial results

In 2021, the Group of First Investment Bank reported increased financial results and sustainable development in the context of the ongoing COVID-19 pandemic and its consequences. The Group profit after tax increased to BGN 111,408 thousand compared to BGN 45,517 thousand a year earlier, as a result of higher operating income and the development of credit policies, as well as optimization of administrative costs. Total income from banking operations increased to BGN 434,970 thousand (2020: BGN 373,709 thousand) with an increase in all main sources of income. The return on equity (after tax) reached 8.85%, and the return on assets (after tax) was 0.96%.

Group profit after taxes



Total income from banking operations



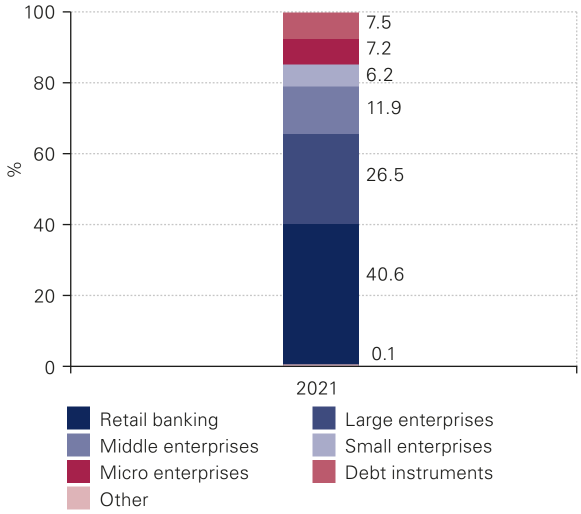
In 2021, net interest income increased to BGN 282,465 thousand (2020: BGN 249,678 thousand), remaining the main source of income for the Group and accounting for 64.9% of total operating income (2020: 66.8%). Fibank's operations abroad formed 5.4% of the Group's net interest income (2020: 6.5%), reflecting the development of the activity of the subsidiary Bank in Albania. *For further information regarding First Investment Bank – Albania Sh.a., see section "Business review of the subsidiary companies"*.

For the reporting period, interest income increased to BGN 334,310 thousand (2020: BGN 313,863 thousand), as an increase in all major business segments, incl. the households segment (2021: BGN 135,633 thousand; 2020: BGN 130,289 thousand) and of enterprises8, incl. large enterprises (2021: BGN 88,623 thousand; 2020: BGN 85,815 thousand), small and middle enterprises (2021: BGN 60,647 thousand; 2020: BGN 58,611 thousand) and microenterprises (2021: BGN 23,975 thousand; 2020: BGN 15,086 thousand). An increase was also reported in the debt instrument investments (2021: BGN 25,088 thousand; 2020: BGN 23,434 thousand), used as an additional source of interest income.

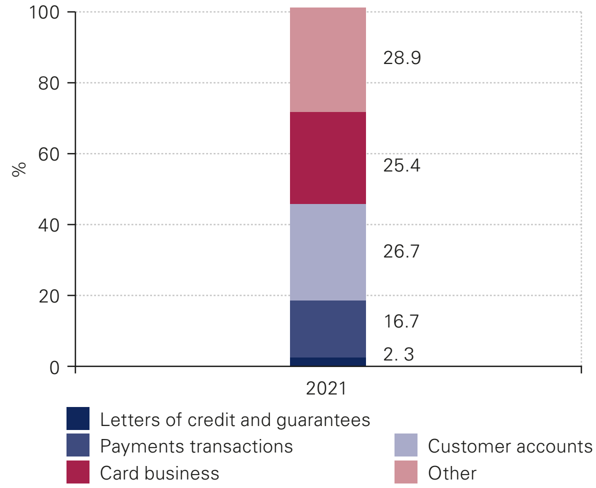
In interest expenses the trend from the previous years was preserved, with a decrease reported in expenses on customer deposits: BGN 14,045 thousand compared to BGN 30,268 thousand a year earlier. During the year First Investment Bank maintained interest rates on deposit products in line with the market conditions and competitive environment, as well as with the high liquidity levels. An increase was reported in interest expenses on hybrid debt (2021: BGN 27,634 thousand; 2020: BGN 27,541 thousand), as well as on assets (2021: BGN 8,712 thousand; 2020: BGN 5,026 thousand), which include mainly expenses related to excess reserves and on nostro accounts, held in foreign banks. The net interest margin of the Group amounted to 3.27% for the period.

8 According to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises determined on the basis of annual turnover as follows: microenterprises - up to BGN 3.9 million; small enterprises - up to BGN 19.5 million; medium-sized enterprises - up to BGN 97.5 million.

Interest income



Fee and commission income



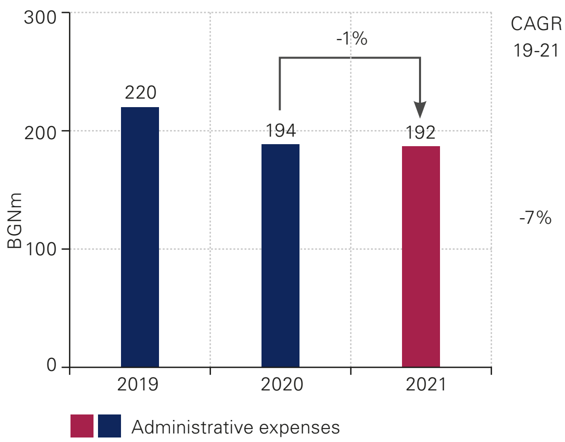
Net fee and commission income for 2021 amounted to BGN 123,505 thousand compared to BGN 99,192 thousand for the previous year, forming 28.4% of total income from banking operations for the Group (2020: 26.5%) and providing a solid contribution to operating profit. Fibank's operations abroad formed 11.4% of net fee and commission income (2020: 8.4%). An increase was reported in all major sources of income, incl. payment transactions (2021: BGN 24,877 thousand; 2020: BGN 19,787 thousand), customer accounts (2021: BGN 39,772 thousand; 2020: BGN 34,766 thousand), card services (2021: BGN 37,917 thousand; 2020: BGN 32,406 thousand), letters of credit and guarantees (2021: BGN 3,466 thousand; 2020: BGN 2,412thousand), as well as for other services (2021: BGN 43,177 thousand; 2020: BGN 31,436 thousand), including such related to credit activity. The increase was influenced by the consistent policy and actions for development in the field of cross-selling and stimulating the commission income, as well as the expanded customer base and increased collection of fees.

For 2021, net trading income amounted to BGN 15,742 thousand (2020: BGN 12,531 thousand), the increase mainly due to higher income from foreign currency transactions, which amounted to BGN 15,606 thousand BGN, compared to BGN 12,719 thousand a year earlier. Net income was also reported in debt and equity instrument transactions, totaling BGN 136 thousand for the period compared to net expenses of BGN 188 thousand for the previous year. The relative share of net trading income remained insignificant at 3.6% of total income from banking operations of the Group (2020: 3.4%).

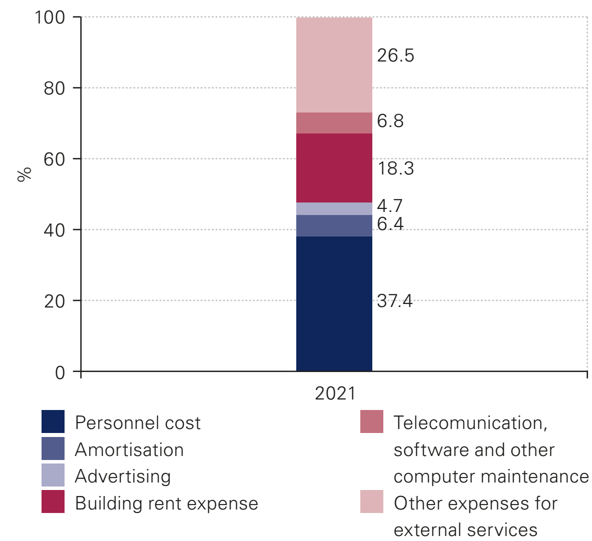
Other net operating revenues amount to BGN 13,258 thousand, compared to BGN 12,308 thousand the year earlier, as the increase was mainly due to higher income from management of assigned receivables (2021: BGN 3,075 thousand; 2020: BGN 162 thousand) as a result of the sales of portfolios of non-performing exposures realized during the year, as well as higher income from transactions and revaluations of gold and precious metals.

Over the year, administrative expenses decreased to BGN 192,083 thousand, compared to BGN 193,807 thousand a year earlier, influenced mainly by lower costs for external services (2021: BGN 50,832 thousand; 2020: BGN 54,926 thousand), for advertising (2021: BGN 8,944thousand; 2020: BGN 10,298 thousand) and for depreciation of property, plant and equipment (2021: BGN 12,201 thousand; 2020: BGN 13,165 thousand), as a result of measures taken to optimize the efficiency of operations. At levels close to the previous year remained the costs of depreciation of right-of-use assets (2021: BGN 35,089 thousand; 2020: BGN 35,011 thousand), as well as those related to telecommunications, software and other computer support (2021: BGN 13,146 thousand; 2020: BGN 12,665 thousand). An increase was reported in personnel costs (2021: BGN 71,871 thousand; 2020: BGN 67,742 thousand), as part of the consecutive actions to establish the Bank as a preferred employer and to retain qualified staff and key employees. For the period, cost/income ratio decreased to 43.40% on a consolidated basis (2020: 56.34%).

Administrative expenses



Structure of administrative expenses



During the year additional write-downs were made on loans, off-balance sheet commitments and other investments, amounting to BGN 160,998 thousand, while BGN 35,335 thousand impairment losses were reversed. As a result, net impairment for 2021 amounted to BGN 125,663 thousand (2020: BGN 98,707 thousand). *For more information see the "Risk Management" section.*

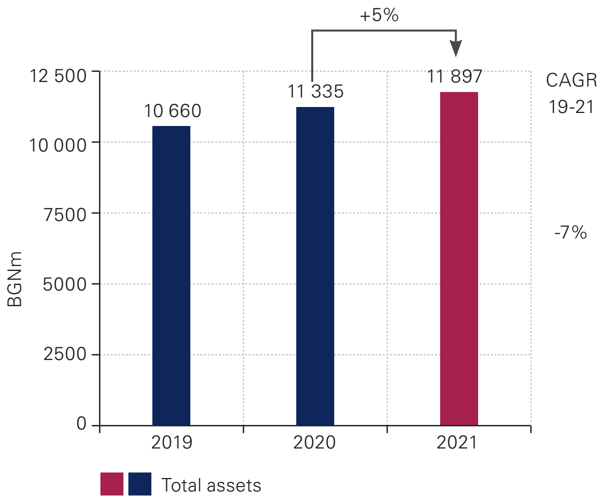
For the period, the Group of First Investment Bank reported other income (net) in the amount of BGN 7,608 thousand, compared to net expenses of BGN 29,696 thousand a year earlier, which was influenced by the reported additional income in connection with the revaluation of investment property in the amount of BGN 30,340 thousand. This position included also contributions made to guarantee schemes, including deposit insurance funds, for restructuring and investor compensation (2021: BGN 23,710 thousand; 2020: BGN 35,945 thousand).

For more information see the Consolidated Financial Statements for the year ended December 31, 2021.

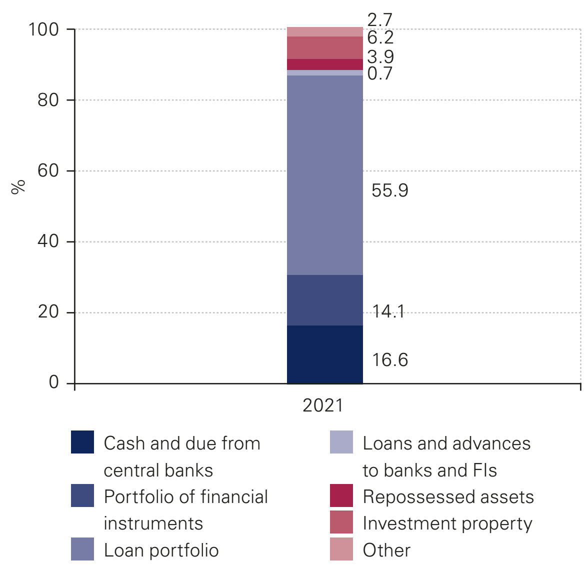
Balance sheet

In 2021, the total assets of the Group of First Investment Bank increased by 5.0% to BGN 11,897,221 thousand, compared to BGN 11,335,420 thousand a year earlier. The dynamics reflected the development of the lending portfolio, the optimization of balance sheet items and the increase of borrowed funds in line with the changes in the external environment and market conditions. Fibank maintained its leading position among banks in the country, ranking fifth in terms of assets (2020: fifth) by the end of 2021, with a market share of 8.32% on an individual basis (2020: 8.70%).

Assets of the group



Structure of assets



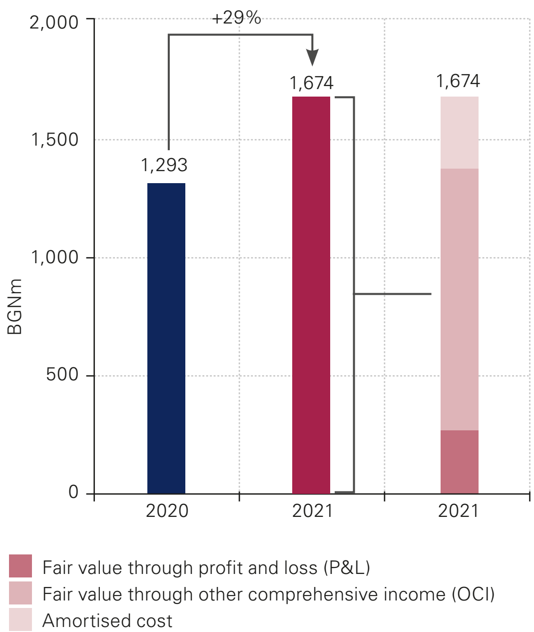
In the structure of the Group's assets, loans and advances to customers retained their major share at 55.9% of total assets (2020: 55.7%), followed by cash and receivables from central banks at 16.6% (2020: 18.8%) and investments in securities at 14.1% (2020: 11.4%). The share of repossessed assets were down to 3.9% (2020: 6.3%) at the expense of investment property (2021: 6.2%; 2020: 3.7%), which are estimated that can generate additional profitability for the Group. The loan/deposit ratio amounted to 66.7%, in accordance with the conservative risk management policy.

Cash and receivables from central banks decreased to BGN 1, 970,814 thousand compared to the levels of the previous year (2020: 2,133,197 thousand) as a result mainly of a decrease in receivables from central banks (2021: 1,499,754 thousand BGN; 2020: BGN 1,655,521 thousand), as well as on the current account balances with foreign banks (2021: BGN 206,145 thousand; 2020: BGN 288,580 thousand). First Investment Bank managed its cash according to customer needs and with a view to maintaining optimal returns. At the end of 2021, cash on hand amounted to BGN 261,999 thousand compared to BGN 189,096 thousand a year earlier.

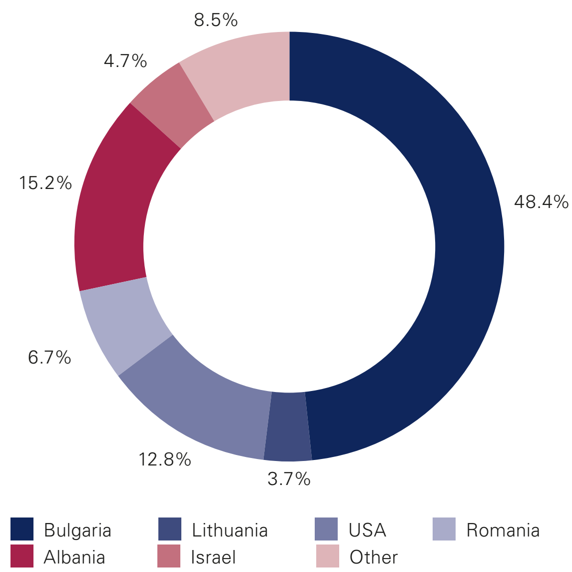
Loans and advances to banks and financial institutions amounted to BGN 87,456 thousand at the end of the period (2020: BGN 106,111 thousand), as a decrease was reported in receivables from local banks and financial institutions (2021: BGN 22,208 thousand; 2020: BGN 39,596 thousand) and to a lesser degree in those from foreign banks and institutions (BGN 2021: 65,248 thousand; 2020: BGN 66,515 thousand).

The securities investment portfolio of the Group increased to BGN 1,673,781 thousand at the end of the year (2020: BGN 1,292,641 thousand), managed according to market conditions and with a view to generating additional income, while maintaining proper balance between risk and return. An increase was reported in all major types of instruments, incl. Bulgarian government securities (2021: BGN 582,382 thousand; 2020: BGN 442,529 thousand) and foreign governments (2021: BGN 620,878 thousand; 2020: BGN 561,735 thousand), as well as bonds and notes issued by foreign banks (2021: BGN 124,057 thousand; 2020: BGN 24,011 thousand) and by the enterprises {2021: BGN 317,559 thousand; 2020: BGN 236,974 thousand).

Portfolio of financial instruments



Portfolio of government debt by countries



In accordance with the requirements regarding business models and the IFRS 9 criteria for classification and valuation of financial assets in the Bank's portfolios, BGN 1,088,904 thousand of the securities portfolio are measured at fair value through other comprehensive income (2020: BGN 825,882 thousand), BGN 268,738 thousand – at fair value through profit or loss (2020: BGN 266,929 thousand), and BGN 316,139 thousand – at amortized cost (2020: BGN 199,830 thousand).

As of 31 December 2021, Fibank's operations abroad formed 9.3% of the assets (2020: 4.9%) and 11.1% of the liabilities (2020: 8.4%) of the Group in compliance with the development of the activity of the subsidiary bank in Albania and its priority focused on the retail banking segment and small and medium-sized enterprises. *For further information regarding First Investment Bank – Albania Sh.a., see section "Business review of the subsidiary companies".*

Repossessed assets decreased to BGN 459,853 thousand (2020: BGN 713,619 thousand) at the expense of investment properties (2021: BGN 732,850 thousand; 2020: BGN 414,021 thousand), as a result of transferred during the year repossessed assets in the amount of BGN 290,975 thousand, as well as revaluation made during the transfer in the amount of BGN 30,340 thousand. For the period properties sold in the amount of BGN 2,683 thousand were written off.

Other assets of the Group amounted to BGN 129,548 thousand (2020: BGN 110,002 thousand), including deferred expenses, gold and other receivables. The right-of-use assets amounted to BGN 92,169 thousand at the end of the year (2020: BGN 154,080 thousand).

For more information see the Consolidated Financial Statements for the year ended December 31, 2021.

Loan portfolio

Loans

In 2021, the net loan portfolio of the Group of First Investment Bank increased by 5.4% to BGN 6,653,944 thousand (2020: BGN 6,312,887 thousand), in line with the objectives for business development placing a priority on the retail, micro and SME segments.

In BGN thousand / % of total	2021	%	2020	%	2019	%
Households	2,398,011	33.6	2,167,277	31.7	2,036,721	31.2
Microenterprises	519,600	7.3	350,200	5.1	324,700	5.0
Small enterprises	549,327	8.3	564,876	8.3	542,875	8.3
Medium enterprises	1,385,398	19.4	1,144,173	16.7	1,189,054	18.2
Large enterprises	2,236,375	31.3	2,610,673	38.2	2,434,081	37.3
Gross loan portfolio	**7,133,711**	**100**	**6,837,199**	**100**	**6,527,431**	**100**
Impairment	(479,767)		(524,312)		(510,294)	
Net loan portfolio	**6,653,944**		**6,312,887**		**6,017,137**	

Growth was reported in loans to households, which increased their share to 33.6% of the gross portfolio of the Group(2020: 31.7%), as well as in micro-enterprises - up to 7.3% (2020: 5.1%), small enterprises - up to 8.3% (2020: 8.3%) and medium-sized enterprises - up to 19.4% (2020: 16.7%), structured according to the EU criteria9 for customer segmentation, which together form 35.0% (2020: 30.1%) of total loans at the end of the year. A decrease was reported in large enterprises segment as their share fell to 31.3% of the gross portfolio (2020: 38.2%). As of December 31, 2021, First Investment Bank ranked sixth by loan portfolio size among banks in the country, with a market share of 9.34% (2020: 9.91%) on an individual basis.

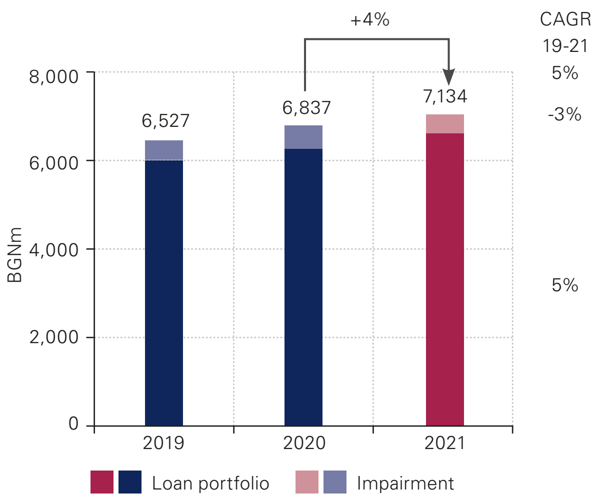
In BGN thousand / % of total	2021	%	2020	%	2019	%
Loans in BGN	4,053,534	56.8	3,638,012	53.2	3,371,730	51.7
Loans in EUR	2,689,184	37.7	2,868,501	42.0	2,932,912	44.9
Loans in other currency	390,993	5.5	330,686	4.8	222,789	3.4
Gross loan portfolio	**7,133,711**	**100**	**6,837,199**	**100**	**6,527,431**	**100**
Impairment	(479,767)		(524,312)		(510,294)	
Net loan portfolio	**6,653,944**		**6,312,887**		**6,017,137**	

In the currency structure of the loan portfolio, loans in BGN increased to BGN 4,053,534 thousand (2020: BGN 3,638,012 thousand) or 56.8% of the total portfolio (2020: 53.2%). A decrease was reported in loans in euro to BGN 2,689,184 thousand at the end of the period (2020: BGN 2,868,501 thousand), or a share of 37.7% (2020: 42.0%) of total loans. The country has a currency board system in place which minimizes the BGN/EUR currency risk. Since 2020, Bulgaria has been part of the European Exchange Rate Mechanism (ERM) II and the Single Supervisory Mechanism (SSM), which was a step towards the country's accession to the Eurozone. Loans in other currencies amounted to BGN 390,993 thousand (2020: BGN 330,686thousand), forming 5.5% of total loans (2020: 4.8%).

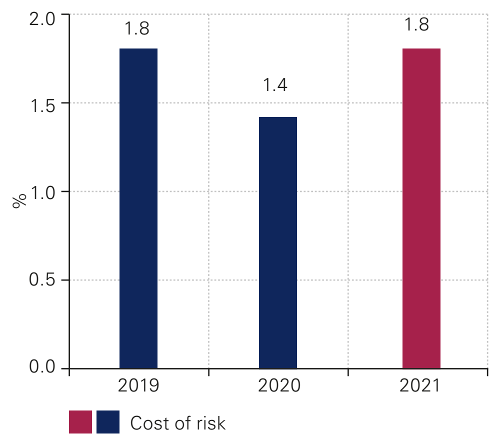
Loans granted by the First Investment Bank abroad accounted for 4.9% of the Group's gross portfolio (2020: 4.2%), reflecting the increase in the loan portfolio of First Investment Bank – Albania Sh.a. to individuals and SME's. *For further information, see section "Business review of the subsidiary companies".*

9 According to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises determined on the basis of annual turnover as follows: microenterprises - up to BGN 3.9 million; small enterprises - up to BGN 19.5 million; medium-sized enterprises - up to BGN 97.5 million.

Loan portfolio and impairment



Cost of risk



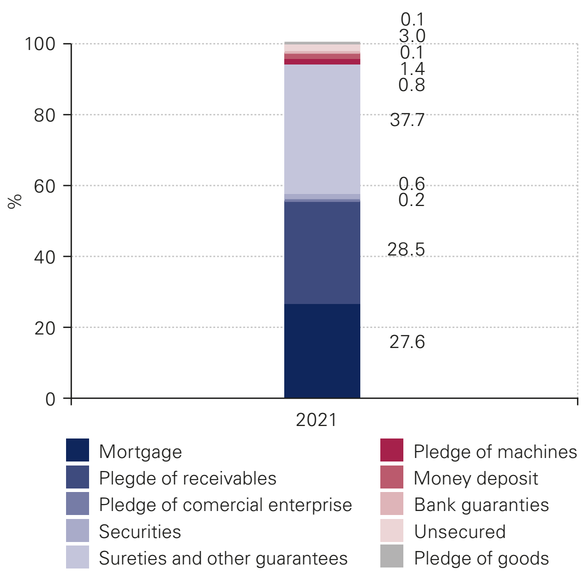
At the end of the period, impairment charges for potential losses on the loan portfolio amounted to BGN 479,767 thousand compared to BGN 524,312 thousand a year earlier. In 2021, additional impairment was recognized in the amount of BGN 160,033 thousand, impairment losses in the amount BGN 35,069 thousand were reversed, and BGN 171,512 thousand were written off.

During the year, First Investment Bank applied the approved Procedure for deferral and settlement of payments due to banks applied in the light of the COVID-19 crisis (private moratorium) in accordance with its terms and conditions, applying the provisional principle that the application of the general payment moratorium in itself should not lead to reclassification of the exposure as forborne. *For more information see the Risk Management section.*

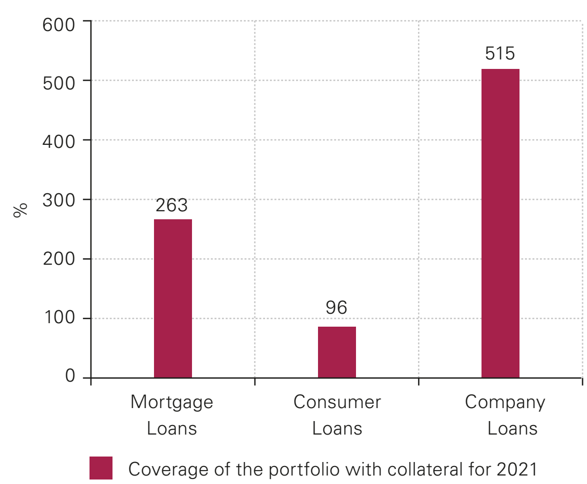
It is the policy of the Bank to require adequate collateral upon granting loans. All legally permissible types of collateral are accepted, and a discount rate is applied depending on their expected realizable value.

As of the end of 2021, the type of collateral having the largest share in the Group's portfolio were sureties and other guarantees (37.7%), followed by pledges of receivables (28.5%) and mortgages (27.6%).

Loan portfolio by type of collateral



Coverage of the portfolio with collateral



For more information on credit risk, see Note 3 "Risk Management" of the Consolidated Financial Statements for the year ended December 31, 2021.

Related party transactions

In the course of its ordinary activities, the Bank also enters into transactions with related parties. These transactions are carried out under market criteria and in accordance with applicable law.

Type of related party	Parties that control or manage the Group			Enterprises under common control		
In BGN thousand	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
Loans	3,515	1,769	2,327	70,364	70,992	7,709
Deposits and loans received	13,725	13,275	11,718	13,582	15,194	9,459
Deposits placed	-	-	-	-	2,955	18,748
Other receivables	-	-	-	18,037	17,565	16,790
Other borrowings	-	-	-	320	-	-
Off-balance sheet commitments	1,061	1,031	975	594	703	1,062
Leasing liabilities	-	-	-	1,513	-	-

Type of related party	Parties that control or manage the Group			Enterprises under common control		
In BGN thousand	**2021**	**2020**	**2019**	**2021**	**2020**	**2019**
Interest income	24	25	38	2,085	2,415	556
Interest expense	8	10	3	1	1	8
Fee and commission income	16	14	19	861	166	187
Fee and commission expense	4	3	2	293	293	562

For more information regarding related party transactions, see Note 35 "Related party transactions" of the Consolidated Financial Statements for the year ended December 31, 2021.

Contigent liabilities

Contingent liabilities of First Investment Bank include bank guarantees, letters of credit, unused credit lines, promissory notes and others. These are provided in accordance with the general credit policy on risk assessment and collateral value. With regard to documentary transactions performed, the Bank is also guided by the unified international rules in the area, protecting the interests of parties to such transactions.

At the end of the reporting period the total amount of off-balance sheet commitments of the Group amounted to BGN 847,693 thousand, compared to BGN 795,677 thousand a year earlier. The increase was mainly due to unused credit lines, up to BGN 671,131 thousand (2020: BGN 588,900 thousand) at the expense of bank guarantees, down to BGN 164,055 thousand (2020: BGN 181,347 thousand) and letters of credit – down to BGN 12,507 thousand (2020: BGN 25,430 thousand).

For more information on off-balance sheet commitments, see Note 32 "Contingent liabilities" of the Consolidated Financial Statements for the year ended December 31, 2021.

Attracted funds

In 2021, attracted funds from customers increased by 4.5% and reached BGN 9,973,631 thousand (2020: BGN 9,542,276 thousand), remaining the main source of funding for the Group and forming 94.3% of total liabilities (2020: 94.3%). First Investment Bank offers savings products and package programs tailored to market conditions and customer needs. As at 31 December 2021, the Bank ranked fifth by deposit size among banks in Bulgaria (2019: fifth) with a market share of 8.69% on individual basis (2020: 9.06%).

Deposits of individuals increased by 2.7% to BGN 7,450,166 thousand at the end of the period compared to BGN 7,255,775 thousand a year earlier. They retained a major share of total borrowings at 74.7% (2020: 76.0%). The currency structure of retail deposits is dominated by BGN funds accounting for 43.6% of all borrowings (2020: 43.3%), followed by funds in euros at 23.5% (2020: 25.4%) and in other currencies at 7.6% (2020: 7.4%).

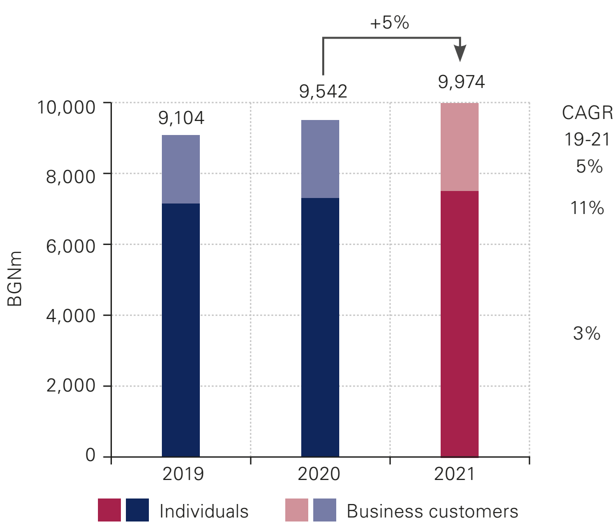
In BGN thousand / % of total	2021	%	2020	%	2019	%
Attracted funds from individuals	**7,450,166**	**74.7**	**7,255,775**	**76.0**	**7,073,178**	**77.7**
In BGN	4,352,762	43.6	4,128,051	43.3	4,032,471	44.3
In EUR	2,339,776	23.5	2,424,881	25.4	2,347,852	25.8
In other currency	757,628	7.6	702,843	7.4	692,855	7.6
Attracted funds from corporate, state-owned and public institutions	**2,523,465**	**25.3**	**2,286,501**	**24.0**	**2,030,843**	**22.3**
In BGN	1,397,919	14.0	1,343,397	14.1	1,293,489	14.2
In EUR	932,705	9.4	713,846	7.5	563,299	6.2
In other currency	192,841	1.9	229,258	2.4	174,055	1.9
Total attracted funds from customers	**9,973,631**	**100**	**9,542,276**	**100**	**9,104,021**	**100**

In accordance with regulatory requirements, First Investment Bank allocates annual contributions to the Deposit Insurance Fund. As provided by law, the Fund guarantees amounts up to BGN 196,000 kept in a customer's accounts with the Bank.

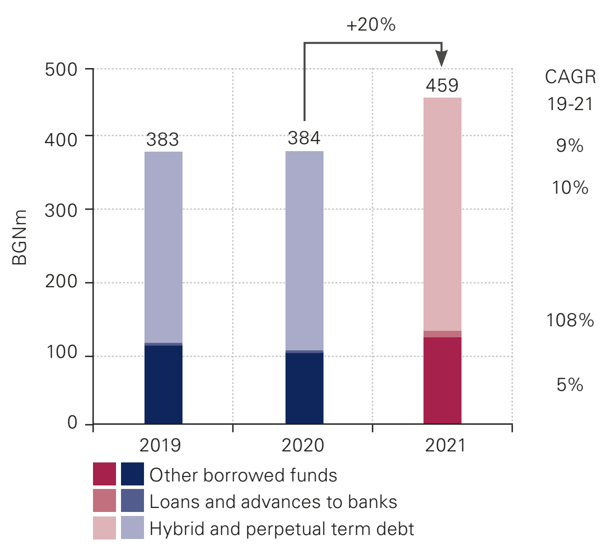
Attracted funds from corporates and institutions increased by 10.4% to BGN 2,523,465 thousand (2020: BGN 2,286,501 thousand) as a result of the Bank's consistent policy of cross-selling, development of transaction business in line with modern technologies and the European payment infrastructure, and building lasting customer relationships. By the end of 2021 their relative share increased to 25.3% of total borrowings from customers (2020: 24.0%). As regards the currency structure, funds in BGN attracted from corporates and public institutions formed 14.0% of all borrowings (2020: 14.1%), followed by those in euros at 9.4% (2020: 7.5%) and in other currencies at 1.9% (2020: 2.4%).

Other borrowings increased to BGN 120,002 thousand as of December 31, 2021 compared to BGN 103,649 thousand a year earlier, as a result mainly of the repurchase agreements that the Group performed in 2021 amounting to BGN 14,358 thousand, as well as received financing (2021: BGN 26,227 thousand; 2020: BGN 23,633 thousand) and the liabilities related to structured products, which the Bank started to offer during the period in compliance with the requirements for eligible liabilities (MREL) according to Regulation (EU) № 575/2013 and the Law on Recovery and Restructuring of Credit Institutions and Investment Intermediaries. *For more information, see section „Capital“..*

Customer deposits



Other borrowed funds



The received financing mainly includes financing from Bulgarian Development Bank AD: BGN 15,525 thousand (2020: BGN 16,137 thousand), from the Fund Manager of Financial Instruments in Bulgaria (Fund of Funds): BGN 7,971 thousand (2020: BGN 3,252 thousand), as well as from European Investment Fund under the JEREMIE 2 initiative: BGN 2,731 thousand (2020: BGN 4,244 thousand) *For* more information, see the "Europrograms" section. At the end of the year, the amortized value of debt related to total return swap agreements amounted to BGN 73,391 thousand (2020: BGN 73,240 thousand) and confirmed letters of credit – BGN 3,388 thousand (2020: BGN 6,776 thousand).

For 2021, liabilities due to banks amounted to BGN 8,722 thousand, compared to BGN 2,747 thousand a year earlier.

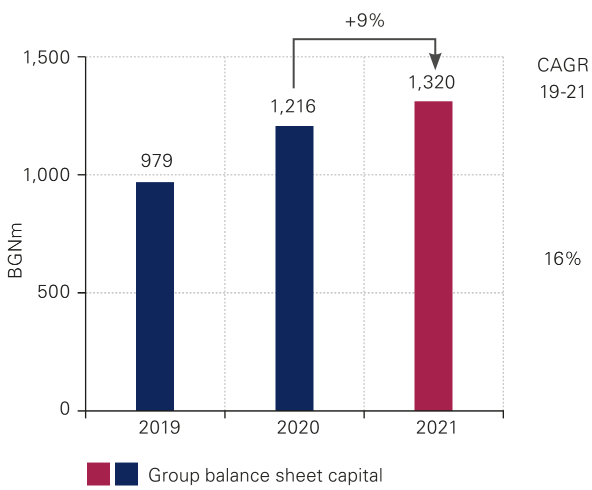
Lease liabilities amounted to BGN 92,405 thousand at the end of the year (2020: BGN 154,481 thousand), as a result of a decrease in leasing payments and the reported effect of changes in leasing conditions and the lease term.

For more information on borrowings see the Consolidated Financial Statements for the year ended December 31, 2021.

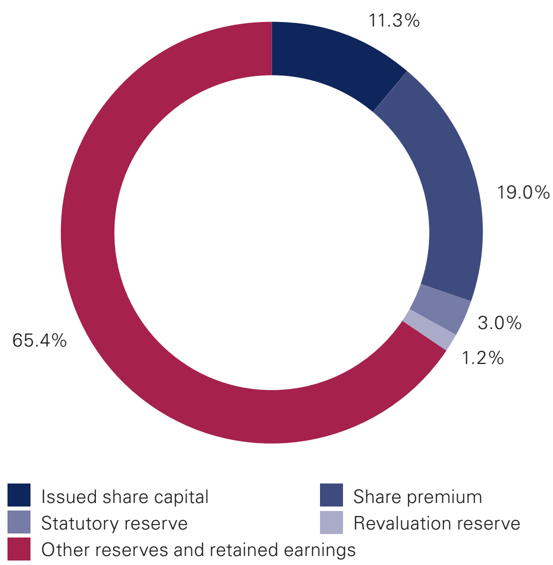
Capital

As of December 31, 2021 the share capital of First Investment Bank amounted to BGN 149,085 thousand, divided into 149,084,800 ordinary, registered, dematerialized shares with voting rights in the Total General Meeting of Shareholders and a nominal value of BGN 1 each. The share capital has been paid in full. The share premium amounted to BGN 250,017 thousand.

Group balance sheet capital



Balance sheet capital structure



The balance sheet equity of the Group of First Investment Bank increased by 8.5% to BGN 1,319,842 thousand (2020: BGN 1,216,420 thousand), also influenced by the increase in other reserves and retained earnings, which reached BGN 860,339 thousand at the end of the period (2020: BGN 749,744 thousand).

Regulatory capital

First Investment Bank maintains own funds for the purpose of capital adequacy in the form of Common Equity Tier 1 and Additional Tier 1 capital, following the requirements of Regulation (EU) No575/2013 and the EC implementing regulations, as well as Ordinance No7 of the BNB on the Organization and Management of Risks in Banks.

By the end of the reporting period the CET1 capital amounted to BGN 1,299,477 thousand (2020: BGN 1,313,839 thousand). The Tier 1 capital amounted to BGN 1,553,735 thousand (2020: BGN 1,568,097 thousand). The total regulatory capital amounted to BGN 1,562,783 thousand compared to BGN 1,577,681 thousand a year earlier.

In December 2021, First Investment Bank structured a one-year program for the issuance of hybrid instruments (perpetual, non-cumulative, unsecured, deeply subordinated, freely transferable, non-convertible bonds) meeting the requirements for additional Tier 1 capital to replace existing issues of hybrid instruments issued by the Bank. The program envisages separate issues, the coupon interest rate for each being determined individually according to market conditions. The minimum nominal value per bond is EUR 100,000, with an option for additional investment above that amount at an increment of EUR 1,000 or a multiple of EUR 1,000.

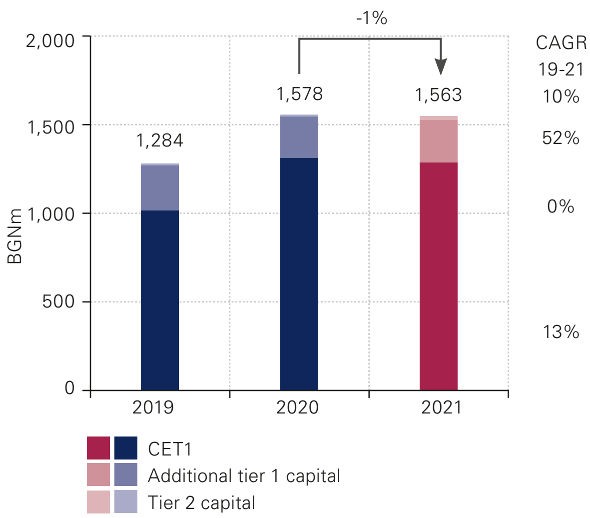
At the end of the year, the Bank successfully issued as private placement two tranches under the program (ISIN: XS2419929422), the first in the amount of EUR 17.133 million and the second in the amount of EUR 10 million. There was high investor interest, with the minimum subscription amount for the issue to be considered successful being exceeded more than three times (for the first tranche) and two times (for the second tranche). The global bonds have been accepted for clearance through Clearstream Banking S.A, with a view to subsequent admission to trading on a regulated market on the Luxembourg Stock Exchange (LuxSE).

As of 31 December 2020, First Investment Bank also has three other hybrid instruments issued (bond issues) with original principal of EUR 40 million (ISIN: BG2100008114) and EUR 60 million (ISIN: BG2100022123) and EUR 30 million. (ISIN: BG2100023196), which are included in the additional Tier 1 capital of the Bank. The issues are admitted to trading on a regulated market on the Luxembourg Stock Exchange (LuxSE). At the end of the reporting period, the amortized cost of hybrid debt amounted to BGN 320,733 thousand (2020: BGN 267,579 thousand).

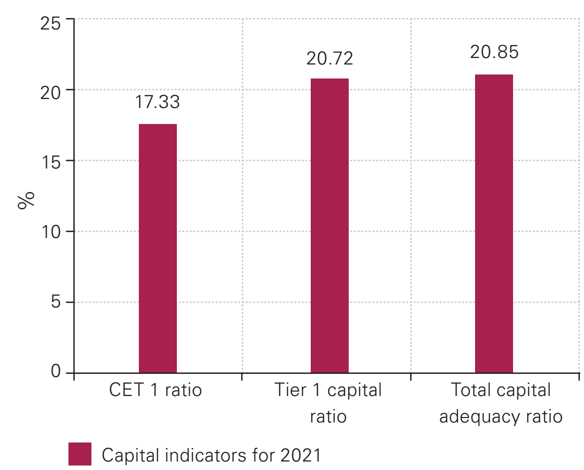
The Group (through the subsidiary First Investment Bank - Albania Sh.a.) has two subordinated term debt instruments issued (long-term bonds) amounting to EUR 2.0 million and EUR 2.9 million, meeting the requirements for Tier 2 capital. As at 31 December 2021, the amortized value of the subordinated term debt amounted to BGN 9,622 thousand (2020: BGN 9,623 thousand).

For more information, see Note 29 "Hybrid and Subordinated Debt" of the Consolidated Financial Statements for the year ended 31 December 2021.

Regulatory equty



Capital adequacy in 2021



For the purpose of reporting qualifying holdings outside the financial sector, First Investment Bank applies the definition of eligible capital, which includes tier 1 capital and tier 2 capital, which cannot exceed 1/3 of tier 1 capital. As at 31 December 2021, the eligible capital of First Investment Bank, calculated in accordance with Regulation (EU) No 575/2013 and Ordinance No7 of BNB for the organization and management of risks in banks amounted to BGN 1,563,319 thousand.

Pursuant to Regulation (EC) 2017/2395 of the European Parliament and of the Council of 12 December 2017 for amending Regulation (EC) 575/2013, the banks have been provided with the option to choose to apply transitional measures for mitigating the impact of the introduction of IFRS 9 on regulatory own funds. With these a five-year term is being defined for gradual introduction during which banks can add a specific amount to the common equity tier 1, calculated in accordance with the approach chosen (the so-called static approach or static approach with dynamic part included) and in accordance with the coefficients for transitional arrangements in the amount of 0.85 for 2019, 0.70 for 2020, 0.50 for 2021 and 0.25 for 2022

In this regard, it was decided during the transitional period until 2022, for First Investment Bank to apply the measures under Article 473a of Regulation (EU) No 575/2013, including the additional relief provided for in paragraph 4 - the so-called dynamic part of the transitional treatment.

Capital requirements

At the end of 2021, the Group of First Investment Bank reported stable capital ratios as follows: common equity Tier (CET1) ratio 17.33%, Tier 1 capital ratio 20.72% and total capital adequacy ratio 20.85%, exceeding the minimum regulatory capital requirements.

In BGN thousand / % of risk exposures	2021	%	2020	%	2019	%
CET 1 capital	1,299,477	17.33	1,313,839	17.72	1,025,869	14.65
Tier 1 capital	1,553,735	20.72	1,568,097	21.15	1,280,127	18.28
Own funds	1,563,319	20.85	1,577,681	21.28	1,284,039	18.34
Total risk exposures	**7,498,839**		**7,413,986**		**7,003,184**	

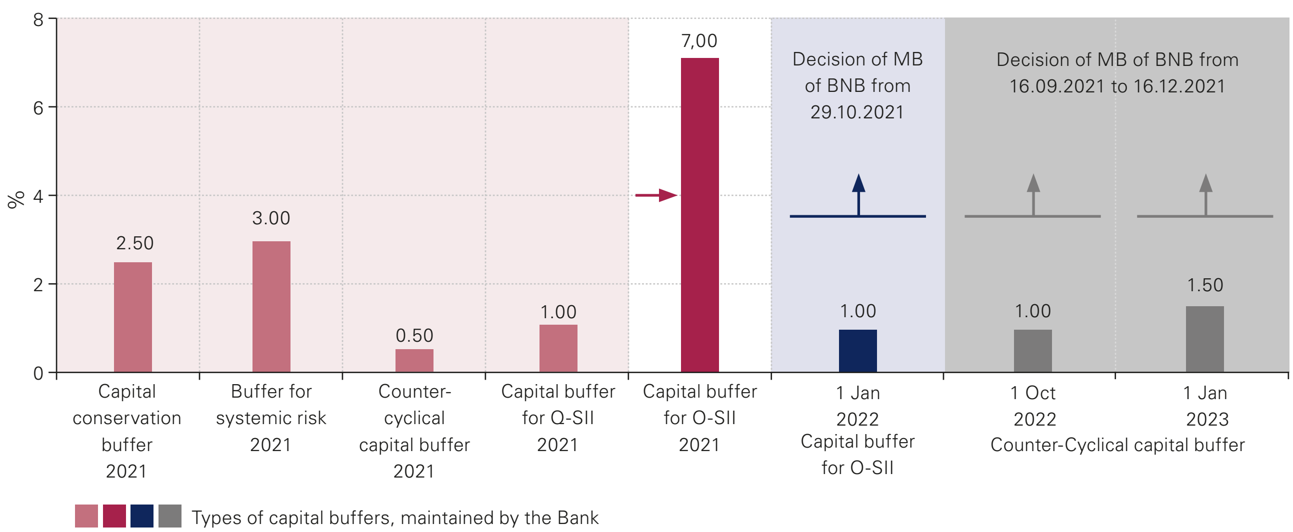
The reported capital ratios resulted from the application of comprehensive and targeted measures regarding the implementation of capital levers in key areas, including successful subscription of a new public issue of shares, retention of profit, inclusion of the issued debt-capital (hybrid) instrument in the Additional Tier 1 capital, as well as maintaining high discipline in risk management.

Capital buffers

In addition to the capital requirements set out in Regulation (EU) № 575/2013, First Investment Bank maintains four capital buffers in accordance with the requirements of Ordinance №8 of the BNB on Capital Buffers, the Combined Buffer Requirement, Restrictions on Distributions and the Guidance on Additional Own Funds.

First Investment Bank maintains a capital conservation buffer, comprised of common equity tier 1 capital, equal to 2.5% of the total risk exposure of the Bank, as well as buffer for systemic risk covered by common equity tier 1 capital with the aim for decreasing the effect of potential long-term non-cyclical system or macroprudential risks in the banking system in the country. In 2021 the level of the capital buffer for systemic risk applicable to all banks in Bulgaria remained unchanged at 3% of the total risk exposures in the country.

Capital buffers



With the aim for protection of the banking system against potential losses arising from accumulated cyclical systemic risk in periods of excessive credit growth, the banks in Bulgaria, incl. Fibank maintain countercyclical capital buffer, applicable to credit risk exposures in the Republic of Bulgaria. Its level is determined by the Bulgarian National Bank each quarter and in 2021 a decision was made to increase it from 0.5% to 1.0% in force from 01.10.2022, as well as to 1.5% in force from 01.01.2023

In addition, the other systematically important institutions (O-SII) in the country as determined by BNB (among which is First Investment Bank AD) should maintain a buffer for O-SII with a view to their significance for the national economy and financial system. The buffer for O-SII on an individual and consolidated basis applicable for Fibank, determined as a share of the total value of the risk exposures, is in the amount of 1.0% for 2021 and 2022.

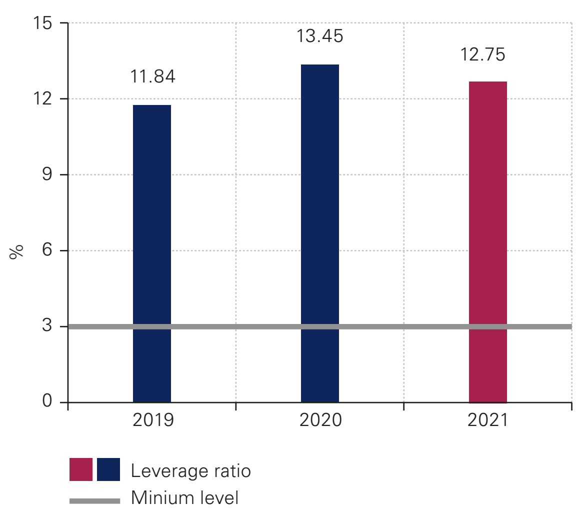
Leverage

The leverage ratio is an additional regulatory and supervisory tool, which measures the required capital maintained by banks that is not risk-sensitive or risk-weighted, thereby complementing and building on the risk-based capital ratios applicable under the existing regulatory framework. In terms of the leverage ratio, on EU level, banks should report and disclose the indicator in order to maintain the minimum required amount of 3% under Regulation (EU) № 575/2013.

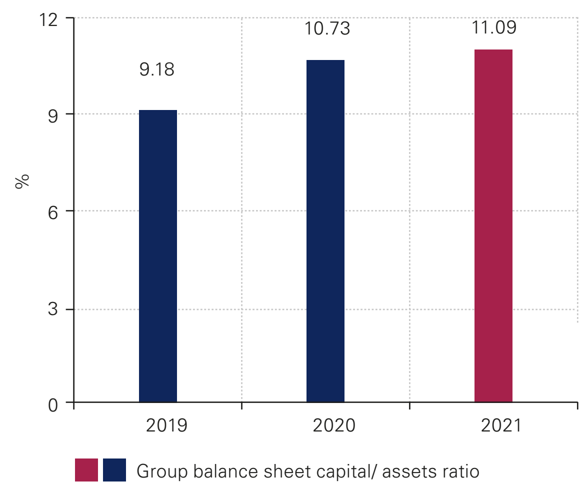
First Investment Bank calculates the leverage ratio by matching its Tier 1 capital to the total exposure of the Bank (assets, off-balance sheet items, and other exposures to derivatives and securities financing transactions), subject to the requirements of Delegated Regulation (EU) 2015/62 of the Commission concerning the leverage ratios and the other applicable regulations. As at 31 December 2021 the leverage ratio amounted to 12.75% on a consolidated basis compared to 13.45% for the previous period.

First Investment Bank has written rules in place to identify, manage and monitor the risk of excessive leverage resulting from potential vulnerability of the Bank related to the maintained levels of leverage.

Leverage ratio



Group balance sheet capital/ assets ratio



The risk of excessive leverage is currently monitored based on specific indicators, which include the leverage ratio, calculated in accordance with applicable regulatory requirements, as well as the mismatches between assets and liabilities. The Bank manages this type of risk using various scenarios, including such that take into account its possible increase due to a decrease in the Tier 1 capital resulting from potential losses. The leverage ratio is also part of the capital indicators of the system for ongoing monitoring and early warning, and is incorporated in the framework for risk management at the Bank, including in the management processes in case of potential financial risks.

Eligible liabilities

In compliance with the requirements of the Law on Recovery and Resolution of Credit Institutions and Investment Firms and Regulation (EU) No 575/2013, banks need to meet minimum requirements for own funds and eligible liabilities (MREL), determined individually for each institution by the restructuring authority and calculated as a percentage of the total risk exposure amount (TREA) and the leverage ratio exposure measure (LRE).

The deadline for meeting the minimum requirements is 1 January 2024. In order to ensure gradual accumulation of equity and eligible liabilities, intermediate target levels have been set (as at 1 January 2022 and 1 January 2023) to be reached by institutions.

In 2021, First Investment Bank developed new structured products in preparation for fulfillment of the minimum requirements for own funds and eligible liabilities (MREL). The Gold Portfolio and Eco Portfolio products, designed for both individuals and business customers, are linked respectively to the price of gold and to green bonds and are structured in line with the requirements for maturity, collateral, subordination, loss sharing, acceleration, and others under the Law on the Recovery and Resolution of Credit Institutions and Investment Firms and Regulation (EU) No 575/2013.

For more information on capital see the Consolidated Financial Statements as at 31 December 2021.

Risk management

First Investment Bank has built, maintained, and developed a risk management system which ensures the identification, assessment and management of risks inherent to its activity.

In 2021, the Bank operated in accordance with its updated three-year Risk Management Strategy and Risk Appetite Framework, aiming to maintain a moderately low level of risk in accordance with its development targets and to further increase the protection mechanisms against risks inherent in banking, taking into account the challenges posed by the COVID-19 pandemic and its consequences. The Bank continued to pursue its objectives for reduction and management of non-performing exposures and its long-term priorities for reduction and effective realization of non-interest-bearing assets in accordance with the Strategy for Reduction of Non-performing Exposures and Repossessed Assets and the Operational Plan for its implementation, taking into account the continuing difficulties of the environment and investor interest resulting from the uncertain global situation and the coronavirus pandemic

First Investment Bank appreciates the importance of sustainable development issues. In this regard, during the year the necessary organization was set up and a roadmap prepared for implementing the requirements, taking into account the environmental, social, and governance (ESG) factors in the overall activity of the Bank, including those related to strategic planning and business strategy, risk management framework and internal governance.

Risk management strategy

The risk management strategy of First Investment Bank is an integral part of its business strategy. The main objective in managing the overall risk profile of the Bank is to achieve a balance between risk, return and capital. The risk profile is relevant to the product policy of the Bank and is determined in accordance with the economic factors in the country and the Bank's internal characteristics and requirements.

Key elements of risk strategy

The Bank determines its risk propensity and risk tolerance levels so that they correspond to its strategic objectives and stable functioning, as well as to the required level of equity capital and an effective management process. Fibank maintains financial resources that are commensurate with the volume and type of operations performed and with its risk profile, by developing internal control systems and mechanisms for risk management in accordance with regulatory requirements and best practices. The main goals on the basis of which the risk strategy is structured, are defined, as follows:

- achieving a sustainable level of capital to ensure good risk-taking capacity, as well as capacity to cover risks in the long term;
- maintaining good asset quality while providing for an efficient decision-making process;
- achieving a balanced risk/return ratio for all business activities of the Bank.

In 2021, as part of the annual review, the risk strategy was updated in accordance with the Risk appetite framework and the Bank's business plan. With respect to its risk profile, the strategy is focused on priority development in the retail and SME segments, as well as constantly maintaining an effective control environment for existing business processes, accompanied by active management of operational risk, maintaining an adequate level of unencumbered liquid assets, and limiting the assumed market risk within the current levels.

Risk appetite framework

In 2021, as a part of the annual review, First Investment Bank updated the Risk appetite framework, which is an integrated instrument for defining and limiting the overall risk level, which the Bank is willing and able to take to achieve its strategic and business goals. For 2021, a medium-low level of risk appetite is set to be maintained.

Defining and applying a risk appetite framework is based on assessment of the risk profile of the Bank on the basis of the material risks identified in the risk map, as the overall risk profile is expressed as a rating aggregated from the scores assigned to each of the specific risks throughout a 5-level scale with quantitative values and risk levels.

Within the risk appetite framework, the risk capacity of the Bank is defined which represents the maximum level of risk the Bank can operate without breaking regulatory requirements and other limits with respect to capital and funding needs and liabilities to counterparties. The risk tolerance is defined as a precautionary measure within maintaining the risk appetite, which as set on a strategic level is defined as a percentage lower than 100% of the overall risk capacity of the Bank. For calculating the risk appetite are the specific risk indicators and limits (for example the total capital ratio, the common equity Tier 1 ratio, loan to deposit ratio, liuidity coverage ratio, net stable funding ratio, return on equity, non-performing exposure ratio, provisioning ratio, operating losses/regulatory capital, etc.), as well as early warning indicators in accordance with the type of risk.

The risk appetite framework is subject to review by the Managing Board and approval from the Supervisory Board once a year or more often, if needed, in accordance with the business environment dynamics. It is part of the annual process for defining the strategy and planning within the Bank.

Risk map

First Investment Bank develops a risk map, which classifies risks into different types and identifies those the Bank is exposed to or may be exposed to in its activity. It is updated once a year or more often if needed, aiming at defining all material risks and their adequate integration within the risk management framework of the Bank.

Risk profile and risk map

EXTERNAL FACTORS

- Political
- Macro-economical
- Social
- Technological
- Environment
- Regulations

INTERNAL FACTORS

- Employees
- Processes
- Systems
- Products
- Clients
- Reputation

TYPES OF RISKS

PILLAR I

- Credit risk
- Market risk
- Operational risk

PILLAR II

- Liquidity risk
- Interest rate risk in the banking book
- Concentration risk
- Residual risk
- Securitization risk
- Currency risk to hedged borrowers1
- Strategic risk
- Reputational risk
- Risk from the usage of statistical models
- Risk of non-compliance
- Risk of excessive leverage

The types of risks are differentiated into groups (Pillar 1 and Pillar 2) as well as the methods for their measurement in accordance with the applicable regulatory framework.

Risk culture

Prudent and consistent risk culture is one of the key elements of effective risk management. In compliance with the best standards, Fibank seeks to develop a risk culture that will further enhance visibility and prevention in terms of individual risk types, their identification, evaluation and monitoring, including by applying appropriate forms of training among the employees and senior management involved in risk management.

The Bank aims at applying the following principles for ensuring high risk culture:

- risk taking within the approved risk appetite;
- approval of every risk in accordance with the effective approval levels and the internal risk management framework;
- current/ongoing monitoring and risk management, incl. taking into consideration the ecological, social and governance (ESG) factors;
- responsibility of employees at all levels to the management and escalation of risks, while applying a conservative and future-oriented approach in their assessment;
- effective communication and constructive criticism aimed at making rational and informed decisions, as well as creating conditions for open and positive engagement throughout the organization;
- applying appropriate incentives to contribute to sound and efficient management, discouraging risk-taking in excess of the level acceptable to the Bank.

Risk management framework

The risk management framework of First Investment Bank includes automated systems, written policies, rules and procedures, mechanisms for the identification, assessment, monitoring and control of risks, and measures to reduce them. Its main underlying principles are: objectivity, dual control of any operation, centralized management, separation of duties, independence, clearly defined levels of competencies and authority, adequacy of the intrabank requirements to the nature and volume of activity, effective mechanisms for internal audit and control. The Bank meets the requirements of current legislation to credit institutions for the preparation and maintenance of current recovery plans in case of potential occurrence of financial difficulties and for the continuity of processes and activities, including with regard to recovery of all critical functions and resources.

Lines of defence

The risk management framework of First Investment Bank is structured in accordance with the principle and model of the three lines of defense which is in compliance with the Basel Committee for Banking Supervision principles for corporate governance in banks:

- First line of defence: the business units which take the risk and are responsible for managing it, including through identification, assessment, reporting in accordance with current limits, procedures and controls implemented in the Bank;
- Second line of defence: the Risk Management and Compliance functions which are independent of the first line of defence. The Risk Management function monitors, assesses and reports risks, while the Compliance function monitors and controls the maintaining of internal regulations in compliance with the applicable regulatory provisions and standards;
- Third line of defence: Internal Audit which is independent of the first and the second lines of defence. It provides an independent review of the quality and effectiveness of risk management, business processes and banking activity, as well as of the business planning and internal policies and procedures.

The Bank's policies on internal governance with respect to the internal control framework and the independent risk management, compliance and audit functions are in accordance with the applicable requirements in this sphere, including Ordinance No 10 of the BNB on the Organisation, Governance and Internal Control of Banks, Ordinance No 7 of the BNB on Organisation and Risk Management of Banks and the EBA Guidelines on internal governance.

Structure and internal organisation

First Investment Bank has a developed risk management and control function, organized in line with recognized international practices and standards, under the management of a Chief Risk Officer (a member of the Managing Board) with appropriate experience and qualifications and directly reporting to the Risk Committee of the Supervisory Board.

The Chief Risk Officer organizes the overall risk management framework of the Bank, manages the process of its implementation, coordinates the activities of the risk committees of the Bank, and controls the credit process in its entirety, including the process of collection of problem loans. He ensures the effective monitoring, measuring, controlling and reporting of all types of risk to which the Bank is exposed.

First Investment Bank has also developed a compliance function, whose main objective is to identify, assess, monitor and report the risk of non-compliance. The function ensures the compliance of activities with regulatory requirements and recognized standards, and supports the Managing Board and senior staff in the management and control of this risk. The function is organized under the subordination to the Chief Executive Officer, with direct reporting to the Risk Committee and/or the Supervisory Board. The Chief Executive Officer ensures the organization for applying the compliance function within the Bank, as well as its integration in the established risk management framework across the Bank, by all business units and at all levels.

First Investment Bank maintains an information system allowing for the measurement and control of risks through the use of internal rating models for assessment of the quality of the borrower, assigning of credit rating to exposure, and obtaining quantitative assessment of risk. The information system ensures maintenance of a database and subsequent processing of data for the purposes of risk management, including for preparation of the regular reports necessary for monitoring the risk profile of the Bank.

Collective risk management bodies

The overall process of risk management is carried out under the guidance of the Managing Board of First Investment Bank. The Supervisory Board exercises control over the activities of the Managing Board on risk management, liquidity and capital adequacy, directly and/or through the Risk Committee which functions as an auxiliary body to the Supervisory Board in accordance with existing internal bank rules and procedures.

Risk committee advises the Supervisory Board and the Managing Board in relation to the overall current and future strategy on ensuring compliance of the risk policy and risk limits, risk-taking propensity and control on its execution by the senior management. As at 31 December 2021, the Risk Committee consisted of three members of the Supervisory Board of First Investment Bank AD. The Chairman of the Risk Committee is Mr. Jyrki Koskelo, independent member of the Supervisory Board.

For supporting the activity of the Managing Board in managing the various types of risks, the following **collective management bodies** operate at the Head Office of First Investment Bank: a Credit Council, an Asset, liability and Liquidity management Council (ALCO), a Restructuring Committee and an Operational Risk Committee, which carry out their activities on the basis of written structure, scope of activities and functions.

The **Credit Council** supports the management of the credit risk undertaken by the Bank by issuing opinions on loan transactions in accordance with the authority level assigned thereto, including with regards to proposals from the operational/business units in the Head Office, as well as from the branches of the Bank in the country and abroad. The Chairman of the Credit Council is the Chief Risk Officer (CRO), while the other members include the Chief Corporate Banking Officer (CCBO), the Director and Member of the Managing Board regarding SME Banking, as well as the Director of the Credit Risk Management, Monitoring and Provisioning department.

The **Asset, liability and Liquidity management Council (ALCO)** is a specialized collective body which advises the Managing Board on matters relating to implementing the policy for asset and liability management, and maintaining adequate liquidity in the Bank. It carries out systematic analysis of the interest-rate structure of assets and liabilities, of the maturity ladder and of liquidity indicators, with a view to possible early warning and taking actions for their optimization. The Chairperson of ALCO is the Chief Executive Officer (CEO), and other members include, the Chief Financial Officer (CFO), and the directors of the Treasury, Risk Analysis and Control, Retail Banking and Corporate Banking departments.

The **Restructuring Committee** is a specialized internal bank body responsible for the monitoring, evaluation, classification, impairment and provisioning of risk exposures and commitments. It also gives motivated written proposals to the Managing Board, and decides on restructuring of exposures according to the current authority levels in the Bank. The Chairman of the Restructuring Committee is the Chief Executive Officer (CEO), while the other members include: the Chief Risk Officer (CRO) and the directors of the Impaired assets, the Intensive Loan Management; and a representative from the Legal department.

The **Operational Risk Committee** is an advisory body to the MB, designed to help the adequate management of operational risk by monitoring and analyzing operating events. The Committee proposes measures to minimize operational risks, as well as prevention measures. The Chairman of the Operational Risk Committee is the director of Risk Analysis and Control department and the other members are the directors of the following departments: Card Payments; Compliance – Regulations and Standards; Accounting, Information Technology and Branch Network.

Apart from the collective management bodies, the risk function in First Investment Bank is executed by the Risk Analysis and Control department, the Credit Risk Management, Monitoring and Provisioning department and the specialized unit for Strategic Risk Management (Risk Management Directorate), as well as the Compliance function – by departments Compliance – Regulations and Standards, Compliance – Specialized Monitoring and Control, specialized unit Compliance – investment services and activities and Data protection officer (Compliance Directorate), which are independent (separate from the business of the Bank) structural units in the organizational structure of the Bank.

The Risk Analysis and Control department performs functions for the identification, measurement and management of the various types of risks inherent in the Bank's activity. The department monitors the determined levels of risk appetite and risk tolerance, is responsible for the implementation of new requirements relating to risk assessment and capital adequacy, and assists other departments in carrying out their functions related to risk management and control.

The Credit Risk Management, Monitoring and Provisioning department performs the functions of management and monitoring of credit risk, and exercises secondary control over risk exposures according to the current authority levels on loan transactions in the Bank. The department manages the process of categorization of credit exposures, including the assessment of potential losses.

The specialized unit for Strategic Risk Management aims at identifying and assessing the strategic risk, including the main risks in the Bank's strategic projects, as well as analyzing the realistics of the assumptions embedded in the strategies of the Bank with respect to changes in the external environment and the markets it operates in.

The Compliance – Regulations and Standards department carries out the activities of identifying, assessing and managing the risk of non-compliance, ensures adequate and legitimate internal regulatory framework in the structure of the Bank, and monitors for compliance of the Bank's products and services with existing regulations. It also manages and analyses the customer satisfaction in the Bank in relation to customer complaints.

The Compliance – Specialized Monitoring and Control department carries out the Bank's activities related to the prevention of money laundering and financing of terrorism as a specialized office under Art. 106 of the Law on Measures against Money Laundering (LMAML), and exercises control over the application of requirements for combating and preventing fraud.

The specialized unit Compliance – investment services and activities executes ongoing control over the execution of the regulatory requirements with respect to the Bank's activity as an investment intermediary and on the market abuse with financial instruments. As part of the compliance function there is a Data protection officer – *for further information see section „Personal Data Protection".*

System of limits

First Investment Bank applies a system of internal limits for different types of risks, in line with the regulatory requirements and the Bank's risk management strategy, including limits by client/counterparty, type of instrument and portfolio, sector, market, etc. The limits applied are monitored on a regular basis and are subject to periodic review and update in line with the risk appetite, market conditions and current regulatory framework.

For more information on the internal limits for different types of risk, see the subsections on credit risk, market risk, liquidity risk, operational risk, as well as the Consolidated Financial Statements for the year ended 31 December 2021.

Recovery plan

In pursuance of the Law on Recovery and Resolution of Credit Institutions and Investment Firms, banks in the country are required to prepare and maintain recovery plans in case of potential occurrence of financial difficulties.

In 2021, First Investment Bank updated its recovery plan, calibrating the recovery indicators in line with the regulatory requirements and current macroeconomic environment, so as to provide for accountability and efficiency in the management of risks and financial resources of Bank. In connection with the minimum requirements for own funds and eligible liabilities, new measures/options and indicators were added, structured as a percentage of the total risk exposure amount (TREA) and the leverage ratio exposure measure (LRE). Aggregate information concerning the overall recovery capacity was further elaborated, including with regard to the time aspect and the effects of measures on capital and liquidity.

The Recovery plan includes the detailed process of escalation and decision-making, as well as the units and bodies within the Bank responsible for its updating and implementation. It includes quantitative and qualitative early warning and recovery indicators, based on a wide range of capital, liquidity, profitability, asset quality, market-based and macroeconomic indicators, upon the occurrence of which a phased process is initiated, involving analysis and identification of the best way to overcome the crisis situation, as well as taking decisions to trigger the appropriate actions according to the procedures for reporting and escalation.

For the purposes of the plan, the key business lines and the critical functions of the Bank have been identified that are necessary for its smooth operation. According to the applicable requirements and in order to determine the range of hypothetical events, different stress scenarios of idiosyncratic, systemic and combined shock have been defined, against which effective recovery measures have been identified.

In connection with the implementation of the plan, an effective process of communication and disclosure has been structured in First Investment Bank, including internal communication (to internal bank bodies and employees) and external communication (to supervisors, shareholders and investors, customers and counterparties, and other stakeholders), as well as measures for the management of potential negative market reactions.

The primary mechanisms and tools for the management of different types of risk are summarized below:

Credit risk

Credit risk is the risk arising from the debtor's inability to meet the requirements of a contract with the bank or inability to act in accordance with the agreed terms. The different types of credit risk include concentration risk, residual risk, dilution risk, counterparty risk, and settlement risk. Credit risk is the major source of risk to the banking business and its effective assessment and management are crucial for the long-term success of credit institutions.

First Investment Bank manages credit risk by applying internal limits on exposures, on customers/counterparties, types of instruments, industry sectors, markets, by written rules and procedures, by internal rating and scoring models, as well as by procedural requirements in the originating and managing of loan exposures (administration).

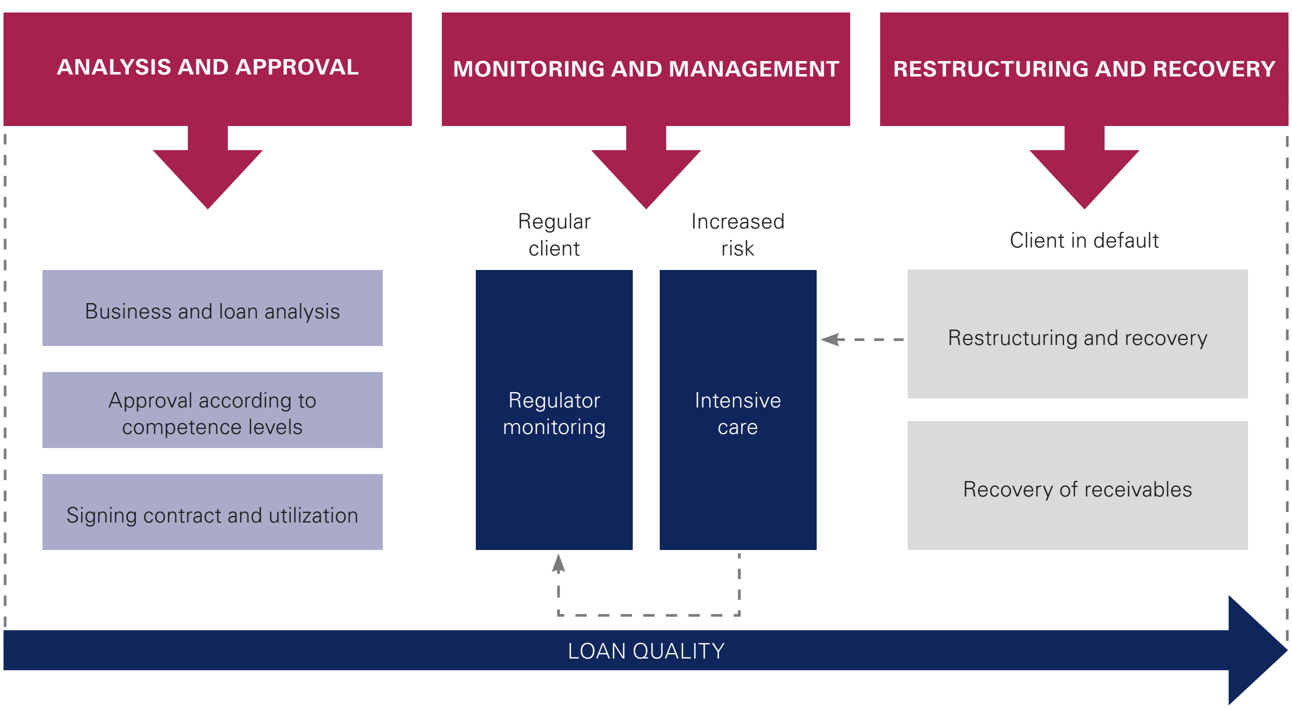
The internal bank regulations regarding credit risk are structured in accordance with the business model and organization of the activity, as well as in compliance with the regulatory requirements and recognized banking practices and standards, which include internal rules for lending and managing problem exposures, rules for impairment and the provisioning of risk exposures, approval levels in the origination of loan exposures, as well as the methodology for conducting of credit analysis and internal credit ratings (scoring models) regarding the creditworthiness of customers. Internal rules and procedures are updated regularly with the aim of identifying, analyzing and minimizing potential and existing risks. The applied limits on credit risk exposures are monitored on an ongoing basis and in compliance with the market conditions and regulatory framework.

Loan process

The loan process in First Investment Bank is automated through a Workflow system integrated with the main information system of the Bank, which includes controls and authority levels when considering transactions. Approved transactions are administered centrally by the Loan Administration department, applying the "four eyes" principle".

In 2021, the Bank introduced a new advanced Business Process Management (BPM) system for processing retail loan applications (New Workflow). It covers the steps of accepting loan applications, giving opinions, approving and granting new loans to individuals, as well as renegotiating the terms of existing ones, with integrated applicable limits and levels of authority for granting/renegotiating different types of loans exposures.

Loan-life cycle



In 2021, changes were made in the levels of authority for approval of credit transactions, mainly in order to optimize the internal decision-making processes when restructuring exposures, including with regard to the competences of the Restructuring Committee as a collective management body and of the departments involved. The composition of the Restructuring Committee was optimized, raising its level by the inclusion of two members of the Management Board. During the year changes were also made in the guidelines for acceptance and processing of documents for lending to individuals and micro-enterprises, with the aim of their further improvement. In connection with the requirements of the private moratorium approved by the BNB, the terms for renegotiation of credit transactions were extended in the corresponding methodology.

First Investment Bank maintains systems for the ongoing administering and monitoring of different portfolios and exposures to credit risk, including aiming at recognizing and managing exposures in default and performing adequate value adjustments for credit risk. Considering the impact of the economic cycle, Fibank manages exposures in default with a view to their timely diagnosis and taking measures consistent with the repayment capacity of the clients and the Bank's policy on risk-taking. The monitoring system of the Bank as well as the internal procedures for monitoring of credit exposures are subject to regular review and update, including with respect to the early warning signals. During the period were updated signals for probabiitiy of delay/ overdue in order to creditworthiness assessment and to indicate the probability of non-payment.

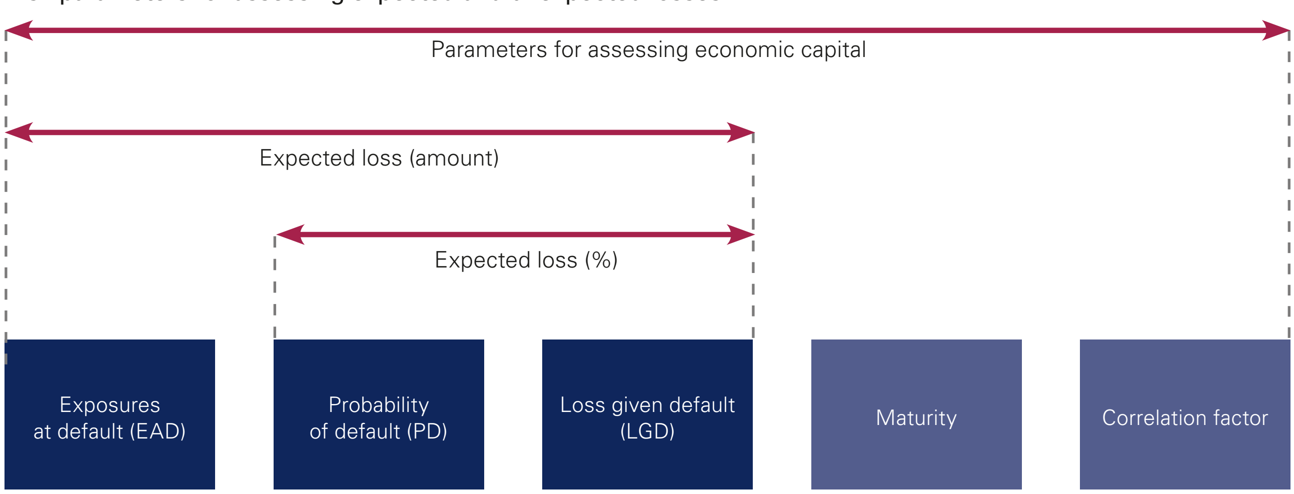
In the Bank a department functions for Intensive loan management, which manages the exposures of customers transferred from the business units with increased credit risk compared to the initial disbursement of the loan, as well as from the impaired assets unit, when there are indicators for recovery of the exposure and objective possibility for future regular servicing. During the year the internal rules for management of deteriorating exposures were developed, with the aim at stimulating the activities reffered to the intensive credit management according to the Rules for process transfer of credit exposures and the different phases of the life-cycle of the loan.

Models for credit risk measurement

First Investment Bank applies internal credit risk models to assess the probability of default (PD), loss given default (LGD), and exposure at default (EAD) which allows the calculation of risk-adjusted returns. All credit risk exposures are controlled on an ongoing basis.

The framework, defined in accordance with the Basel standards, sets minimum regulatory capital requirements to cover financial risks. In addition to regulatory capital, First Investment Bank also calculates economic capital which is included in the internal measurement and management of risk. Economic capital is maintained for the purpose of protection and covering of unexpected losses arising from market conditions or events.

Risk parameters for assessing expected and unexpected losses



For further information regarding economic capital see subsection „Internal Capital Adequacy Analysis".

The Bank uses internal models for credit assessment of business and retail customers. Assessment models are based on quantitative and qualitative parameters, weights of individual parameters being defined on the basis of historical experience. Business clients are assigned a credit rating, while individuals are based on scoring. An additional assessment for business clients is made based on a behavioral scoring model. The credit risk assessment derived from the rating models is further examined by a credit specialist/risk manager.

The Bank has project finance evaluation models (including for real estate, industrial projects and financing of individual fixed assets), applying quantitative analysis (based on estimated cash flows) and qualitative evaluation of the project and investor management, market environment and credit structuring, as well as a separate evaluation of the assets being funded.

All risk assessment models are adopted by the Managing Board, proposed for their review after prior approval from the Chief Risk Officer.

There is a structured process within the Bank for assessment and validation of the risk management models to ensure their reliability, accuracy and effective implementation. It envisages the preparation of regular validation reports in the Bank: brief/ monitoring quarterly reports and extended annual validation reports, covering both quantitative analysis (statistical, econometric and other quantitative approaches) and analysis of the qualitative (non-statistical) characteristics, in compliance with the current regulatory requirements and good banking practices in the area.

Credit risk mitigation methods

Credit risk is managed also by acceptance of guarantees and collateral of types and in amounts according to the current regulations and the Bank's internal rules and requirements. First Investment Bank requires collateral for credit risk exposures, including for contingent liabilities which bear credit risk. For reduction of the credit risk the Bank applies established techniques, procedures and rules, ensuring effective credit protection, including through the monitoring and control of residual risk. Secured protection is ensured by assets which are liquid enough and have relatively unchanging value in time. The Bank applies internal written rules regulating eligible collaterals by type and amount, in compliance with the regulatory requirements for their recognition, as well as the legal requirements for supporting documentation. For reduction of credit risk, First Investment Bank applies the financial collateral simple method under the requirements of Regulation (EU) No 575/2013.

First Investment Bank currently monitors the relative regulations, as well as the acknowledged standards and good practices in this area, aiming constantly at further development and enhancement of the rules and processes existing in the Bank with respect to the acceptance, evaluation and management of collaterals, including with regards to the methods for evaluation. In 2021 the internal rules for management of collaterals were enhanced, incl. by implementing the requirements for appraisers rotation after a certain number of successive valuations of the same asset, in accordance with Guidelines on loan origination and monitoring (EBA/GL/2020/06).

Problem exposures and strategy for their reduction

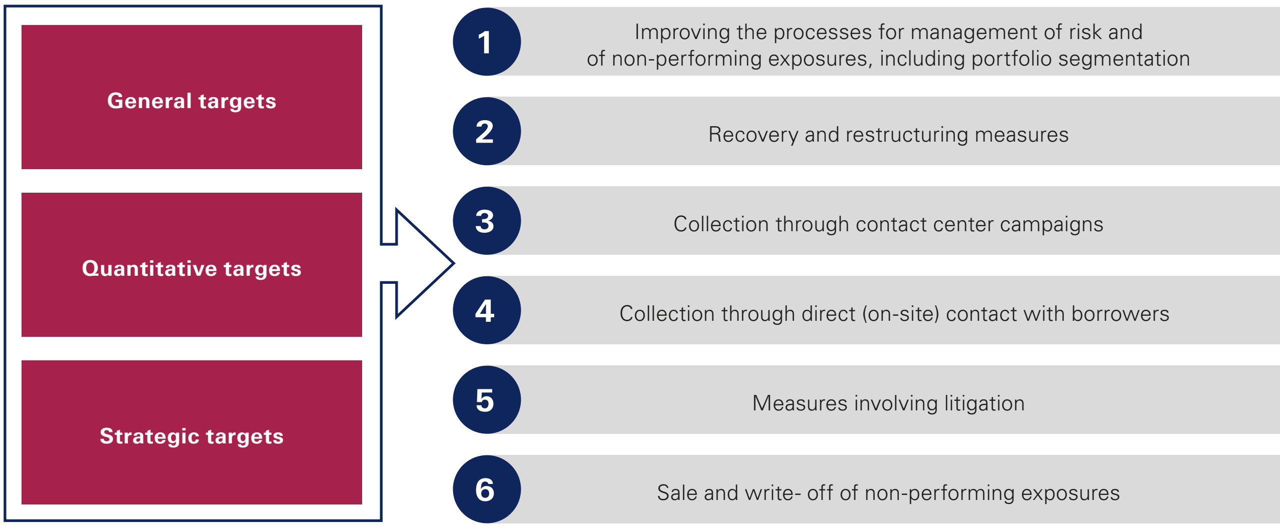
First Investment Bank has internal rules and written procedures for managing problem credit exposures, which include all main actions related to the management of problem loans, including analysis and assessment of risk exposures, restructuring and recovering, enforced collection, sale and writing off of problem exposures. Fibank uses also a specialized system for the integrated management of problem assets, which includes all stages for monitoring and recovery of receivables. During the year the internal processes and rules were updated, aiming at more effective management of problem and restructured exposures.

Among the strategic priorities of the Bank regarding its risk profile is reducing the portfolio of nonperforming exposures, as in this regard a Strategy for reduction of nonperforming exposures and repossessed assets for the period 2021-2023 was developed and adopted, as well as an operating plan for its implementation, in which measures adequate to the business model and risk profile were identified aligned with the EBA Guidelines on management of nonperforming and forborn exposures (EBA/GL/2018/06). In 2021, the Bank continued to to follow the set goals and priorities in it, which included:

- Regular write-off of fully impaired and uncollectible credit exposures and sale of portfolios of non-performing exposures, in such volume and time horizon as the market dynamics allow and the prices offered;
- Achieving stable recovery, covering the entire life cycle of credit exposures and perfecting the practices and processes in order to achieve higher recovery rates;
- Improving the ways and methods for restructuring, aimed at increasing collections from non-performing exposures;
- Reduction of the risk profile of the loan portfolio and applying a conservative approach in collateral valuation;

- Reduction of the relative weight of the portfolio of foreclosed assets in the Bank's balance sheet in order to free up cash resources and reduce risk.

Measures/options reduce non-performing exposure



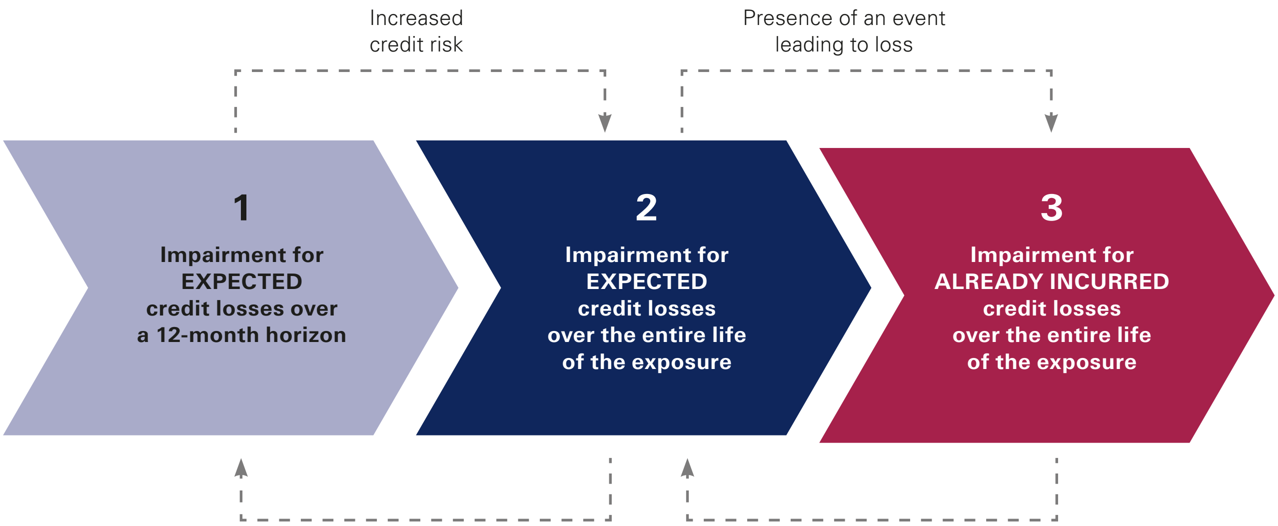
During the year, two sales were made of non-performing retail portfolios (consumer loans, credit cards and overdrafts) amounting to a total of BGN 43 million, and consistent actions and measures were continued to reduce problem exposures by improved collections and write-offs. As a result, net non-performing exposures of the Group decreased by 11.4% or by BGN 172,583 thousand YOY. As at 31 December 2021, the nonperforming loan (NPL) ratio calculated in accordance with the requirements of the European Banking Authority decreased by 2.1 percentage points to 15.1% of gross loans and advances under the FinREP financial reporting framework, and under the broader definition of nonperforming exposure (NPE) ratio it decreased by 2.3 percentage points to 12.7% of gross loans and advances and debt instruments other than held for trading.

In 2021, First Investment Bank continued to apply the Procedure for deferral and settlement of liabilities payable to banks and their financial institution subsidiaries in connection with the COVID-19 pandemic, prepared by the Association of banks in Bulgaria and approved by the BNB, in line with the terms and conditions of its application. The document represents private moratorium under the meaning of EBA Guidelines on legislative and non-legislative (private) moratoria on loan repayments applied in the light of COVID-19 crisis (EBA/GL/2020/02), according to which in managing loan exposures, incl. their qualification as nonperforming the Bank applies the temporary measure stating that deferral on such exposures shall not lead to their re-classification under the form of restructuring or default.

Impairment and provisioning of risk exposures

With respect to **impairment and provisioning** of risk exposures, First Investment Bank applies written rules, which are structured based on the principles of individual and portfolio evaluation of risk exposures, depending on the classification and amount of exposure. For exposures reported as non-performing specific impairment is determined, calculated on the basis of individual cash flows for individually significant exposures, or on portfolio basis for the others. Regarding exposures reported as performing, the Bank applies impairment on a portfolio basis (taking into account potential losses), grouping exposures with similar credit risk characteristics. According to IFRS9 an allowance for impairment loss is calculated equal to the expected credit losses over the life of the instrument, if the credit risk of the financial instrument has increased significantly since the original recognition. Otherwise, an allowance for impairment losses is calculated equal to the expected credit losses over a 12-month horizon..

Impairment of risk exposures



The Bank has written parameters for defining the increased credit risk, which includes days past due, as well as other indicators i.e. presence of forborne measures, deterioration in the rating/scoring of the client and others, as well as defining the parameters for meeting the cash flow test for solely payments of principal and interest (SPPI test), including defining new or changed credit products.

In 2021, the Bank updated its internal rules for provisioning and impairment, aiming to comply with the new requirements on materiality tresholds according the Ordinance No 7 of BNB on the organization and management of risks in banks, as well as implementing in the systems of the Bank of the definition of default in line with the Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013 (EBA/GL/2016/07).

For more information on credit risk, see note 3 "Risk Management" from the Consolidated Financial Statements for the year ended 31 December 2021.

Market risk

Market risk is the risk of losses due to changes in the price of financial instruments resulting from general risk factors inherent in the markets and not related to the specific characteristics of individual instruments, such as changes in interest rates, exchange rates and/or specific risk factors relating to the issuer.

The management of market risk is based on applying internal limits and written rules and procedures with respect to the processes and control environment. For the purpose of assessing and minimizing market risk the Bank applies internal models for assessment, which are based on the "Value at Risk" (VaR) concept, and in addition other duration analyses, calculation of stressed VaR, stress tests and scenarios are used. The limits applied by the Bank for debt and capital instruments are structured with the aim of minimizing the risk and applying a wide and risk-based framework of limits, which are directly connected with the risk profile of the investments, as well as with the dynamics of the risk profile in time.

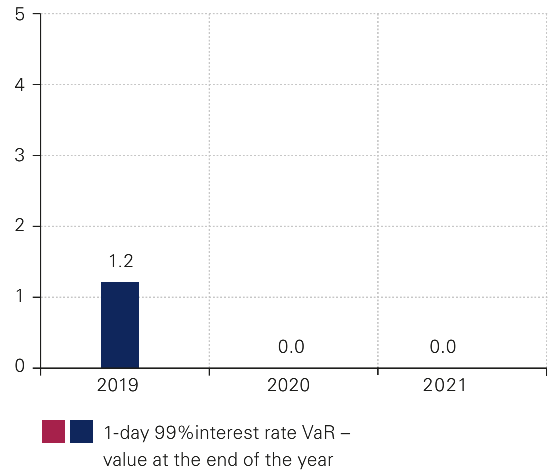
In 2021, the Bank enhanced its approaches by applying a uniform framework regarding its limits on investments in debt securities to governments and financial institutions in accordance with the development of market conditions and opportunities to generate returns and returns.

Position risk

Position risk is the risk of changes in the prices of debt and equity instruments as a result of circumstances related to the issuer and / or changes in market conditions. Position risk includes general and specific position / price risk.

It is the policy of the Bank to maintain an insignificant trading portfolio in accordance with the criteria of Regulation (EU) № 575/2013. Therefore, it does not calculate capital requirements for interest rate and pricing risk in this portfolio.

Interest rate VaR for the portfolio of debt instruments



Interest rate VaR for the portfolio of debt instruments during 2021

For quantifying measurement of the interest rate and position risk in the trading portfolio, the Bank applies VaR analysis with a 1-day horizon and 99% confidence level, which means that there is 1% probability for the trading portfolio to depreciate within a 1-day interval more than its calculated VaR. The model is calculated and monitored on a daily basis by estimating the maximum loss that could occur over a specified horizon under normal market conditions, due to the adverse changes in the market rates, if the positions remained unchanged for the specified time interval.

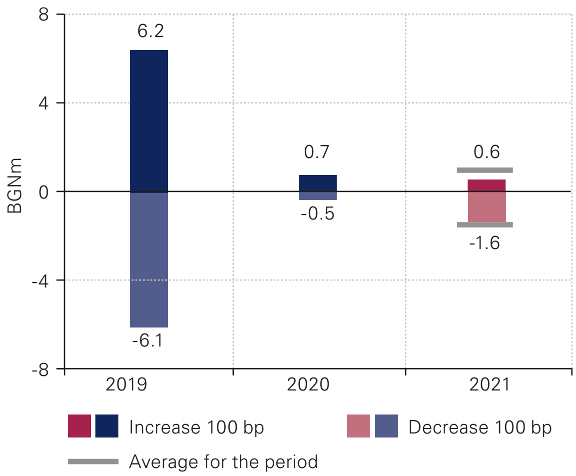
In compliance with the European Banking Authority guidelines, the Bank measures stressed value at risk (sVaR) of the debt securities portfolio, where model inputs are calibrated so as to reflect an extended period of significant stress in the international financial markets.

Interest rate risk in the banking book

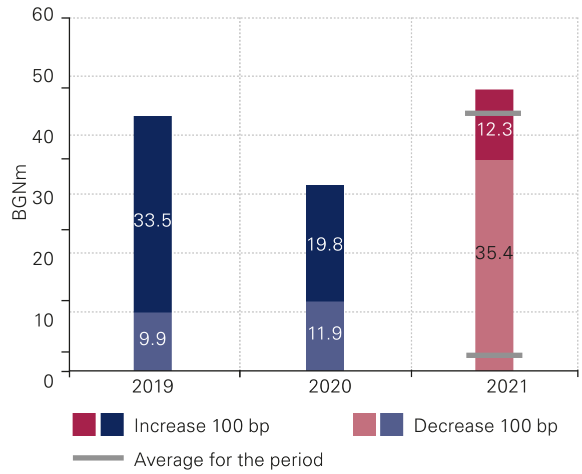
Interest rate risk in the banking book os the risk from negative effect on the economic value of the capital and the net interest income of the Bank due to change in the market interest rate levels.

First Investment Bank manages this type of risk though written rules, limits and procedures aimed at reducing the mismatch between the interest rate sensitivity of assets and liabilities in compliance with the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02) and the requirements of Ordinance No 7 of the BNB on Organisation and Risk Management of Banks. Interest rate risk in the banking book is measured using models that assess the impact of interest rate scenarios on the economic value of the Bank and on net interest income. The interest rate risk assessment framework in the banking book (IRRBB) takes into account various sources of the IRRBB, incl. the risk of mismatch, underlying and option risk, and the risk of change in the credit spreads of financial instruments (CSRBB). The set of stress scenarios applied by the Bank includes those related to non-parallel changes in the interest rate curve, as well as taking into account a number of behavioral features in cash flows, in the context of different stress scenarios.

Effect on the interest income
from interest rate shock +100/-100 bp



Effect on the equity
from interest rate shock +100/-100 bp



As at 31 December 2021 the interest rate risk on the economic value of the Group (IRRBB) following a standardized shock of +100/-100 bp was BGN +12.3/+35.4 million, while on the net interest income one year forward was BGN -1.6/+0.6 million.

Currency risk

Currency risk is the risk of loss resulting from an adverse change in exchange rates. Fibank's exposure to currency risk arising from positions in the banking and trading book is limited by the application of regulatory-required and internal limits.

The Bank actively manages the amount of its overall open foreign exchange exposure, and seeks to maintain negligible levels of currency mismatches in its entire activity. In addition, First Investment Bank calculates and applies limits, based on an internal VaR model, regarding the maximum loss that could be incurred within 1 day at a confidence level of 99.0%.

The Bank is also exposed to currency risk as a result of proprietary trading transactions. The volume of such transactions is very limited and controlled through limits on open foreign currency positions, and stop-loss limits on open positions.

Counterparty risk and settlement risk

Counterparty risk (counterparty credit risk) is the risk that a counterparty in a particular transaction will default before the final settlement of the cash flows of the transaction. It arises mainly from transactions in derivative instruments, repo transactions, securities and commodities lending/borrowing transactions, margin lending transactions and extended settlement transactions. The Bank manages and controls this type of risk by applying limits and minimum credit quality requirements to counterparties /issuers.

Settlement risk for the Bank is the risk of outstanding transactions in securities, commodities or currency. It arises both in transactions with settlement services on the principle of „delivery versus payment" (delivery versus payment - DvP) and in trade without DvP („free deliveries"). For DvP transactions, the Bank assesses the risk that the price difference between the agreed settlement price for the respective instrument and its current market value will lead to a loss for the Bank. For those related to „free deliveries", the risk is controlled by applying internal credit quality limits to counterparties / issuers.

For further information regarding market risk see note 3 "Risk management" of the Consolidated Financial Statements as at 31 December 2021.

Liquidity risk

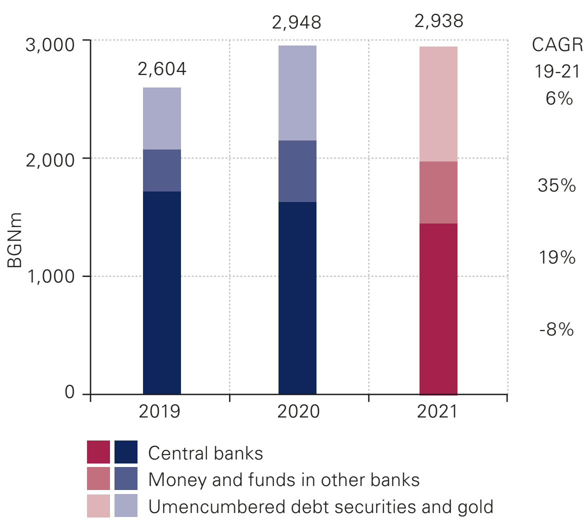
Liquidity risk originates from the funding of the banking business and in positions management. It includes the risk of failure to meet a payment when due, or failure to sell certain assets at a fair price and in the short term to meet an obligation.

First Investment Bank manages liquidity risk through an internal system for monitoring and daily liquidity management, maintenance of a sufficient amount of cash consistent with the currency structure of assets and liabilities and maturity ladder, regular gap analysis of inflows and outflows, maintaining a low risk portfolio of assets to meet current liabilities, and operations on the interbank market.

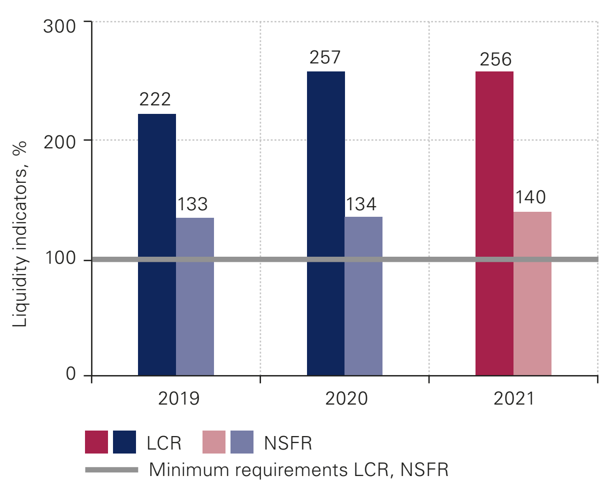
In order to maintain a medium-low risk profile, Fibank has established an adequate framework for liquidity risk management. The Bank's policy on liquidity management is designed so as to ensure meeting all obligations even under stress originating from the external environment or from the specifics of banking activity, as well as to maintain an adequate level and structure of liquid buffers and apply appropriate mechanisms for the distribution of costs, profits and risks related to liquidity. The Bank applies a combination of methods, financial models and instruments for assessment and management of liquidity, including the requirements for reporting and monitoring of the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) in compliance with Regulation (EU) No 575/2013 and the applicable delegated regulations of the European Commission. In order to reduce the liquidity risk, preventive measures have been taken aimed to extend the maturity of borrowings from customers, to encourage long-term relationships with clients and to increase customer satisfaction. In order to adequately manage liquidity risk, the Bank monitors cash flows on a daily basis, and also maintains a maturity ladder, which is part of the additional liquidity monitoring indicators and a tool for detailed monitoring of cash inflows and outflows by maturity interval.

As regards asset/liability and liquidity management policies, First Investment Bank applies the business model requirements and the criteria for classification and valuation of financial assets in the Bank's portfolios in accordance with IFRS 9. Based on the purpose for managing the financial assets, the business models applied by the Bank include: 1) a business model whose purpose is the assets to be held to collect contractual cash flows (hold to collect); 2) a business model whose purpose is both to collect contractual cash flows as well as sale of financial assets (hold to collect and sell); 3) another business model when the purpose is different from the previous two business models, and which includes assets held for trading.

Liquid assets



LCR u NSFR



During the reporting year the Group of Fibank maintained an adequate volume of liquid assets, as at 31 December 2021 the ratio of liquid assets covering the attracted funds due to other customers amounted to 29.46%, which was significantly above the BNB recommended level of 20%. According to the regulatory requirements the Bank should maintain a buffer of liquid assets to ensure liquidity coverage of net liquidity outflows over a 30-calendar day stress period with a minimum amount of 100%. At the end of the reporting period, the liquidity coverage ratio (LCR) amounted to 256.37% on a consolidated basis (2020: 257.17%).

First Investment Bank also calculates a net stable funding ratio (NSFR), which is an instrument introduced to ensure that long-term liabilities are adequately covered by stable financing tools both under normal circumstances and in stress conditions.

At year-end, the net stable funding ratio amounted to 139.81% on a consolidated basis (2020: 134.47%) and was above the reference value of 100% in accordance with Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

Internal liquidity adequacy assessment process

First Investment Bank prepares a regular report on the internal liquidity adequacy assessment process (ILAAP), aimed at performing a comprehensive internal assessment of the liquidity management and funding framework of the Bank in the context of its strategy and risk appetite in terms of liquidity.

In 2021, as part of its annual review process, the Bank updated its ILAAP report, including with regard to information on liquidity generation capacity, liquidity buffer strategy, survival periods, as well as results of stress scenarios and stress tests used. Information on encumbered assets and on financing plan implementation was further developed. The internal liquidity indicators are set in compliance with the requirements for consistency with the Recovery Plan levels, the latter being part of the monitoring and early warning system incorporated in the Bank's risk management framework. With respect to the internal processes and organization on ILAAP the CFO has general responsibility for controlling the process for updating, for making proposals for amendments on the document, as well as ensuring control before presenting for approval from the competent bodies within the Bank.

During the period, the internal processes related to ILAAP were improved by structuring a new Methodology for internal liquidity adequacy assessment which describes the approaches to preparing and updating the ILAAP report, including the key components in accordance with the EBA Guidelines on ICAAP and ILAAP information collected for SREP purposes.

The assessment takes into consideration the systems and processes existing in the Bank for management of risks related to liquidity and funding, including information on the daily management of liquidity risk and on the allocation of costs and benefits related to liquidity, which are determined based on a methodology for internal transfer prices (ITP) introduced in the Bank. The ILAAP also takes into account the funding strategy of the Bank, including the funding plans within a three-year horizon, as well as the strategy on maintaining liquidity buffers and monitoring of encumbered assets. The quantitative measurements of the readiness of the Bank to deal with a sudden and significant outflow of borrowings (liquidity crisis) are established through stress tests and scenario analyses. For the purposes of ILAAP, First Investment Bank applies a combination of three stress scenarios: of idiosyncratic, market and combined shock, with a horizon of one week and one month, which take into account the stability of the deposit base and the sensitivity of the customers.

To ensure adequate capacity of the Bank to meet all its obligations and commitments, even in the context of a liquidity crisis, First Investment Bank has developed an action plan in case of contingency/ liquidity crisis which is an integral part of the overall system for liquidity management.

For further information regarding liquidity risk see note 3 "Risk management" of the Consolidated Financial Statements as at 31 December 2021.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes, people or systems, or from external events. In order to mitigate the risks arising from operational events, First Investment Bank applies written policies, rules and procedures that are based on the requirements laid down in Bulgarian and EU legislation and good banking practices. With respect to capital requirements for operational risk, the Bank applies the standardized approach as per requirements of Regulation (EU) 575/2013, incl. methodology for allocation of the indicators as per group activities.

First Investment Bank maintains a system for registration, tracking and control of operational incidents and near-misses that complies with the effective regulatory requirements. Operational risk management at Fibank is based on the principles of not assuming unsound risk, strict compliance with the authority levels and applicable laws, and active management of operational risk. The Bank applies reliable methods for avoiding, transferring, and limiting the impact of operational risks, including through separation of functions and responsibilities, double control, approval levels, internal control, insurance contracts, and information security.

With the aim of developing and enhancing its processes for operational risk management key risk indicators are defined within the Bank, which are applied both at Bank level, and specifically for each business unit and process in the Bank. They are used for the purpose of effective signaling of changes that may be relevant to the active management of operational risk, as well as for implementing better monitoring and control of the risk tolerance and of the thresholds and limits on individual types of risk.

The Risk Analysis and Control department defines and categorizes operational events across event types and business lines inherent in banking, as well as the obligations and responsibilities of the Bank's employees in connection with their registration and reporting. The Operational Risk Committee regularly reviews and analyzes operating events and suggests to the Managing Board measures for prompt correction of their causes, as well as for strengthening the controls in the management of processes, activities, products and services at all levels of the Bank's system.

In order to assess the exposure and reduce operational risk, as well as to enhance and improve the control procedures, First Investment Bank conducts regular Risk Control Self-Assessment (RCSA) in the form of questionnaires and analyzing of processes. According to good banking practices the self-assessment is an important tool for additional evaluation of the Bank's exposure to operational risk, as well as a tool contributing to the analysis of the effectiveness of existing controls for its mitigation.

In 2021 First Investment Bank developed the policies for operational risk management, incl. updated the rules of procedure and the composition of the Operational Risk Committee to the Managing Board.

Information security

The Bank's information security policy sets out principles and rules for protecting the confidentiality, integrity and availability of data and information of Fibank and its customers, and of related services. The Bank applies internal rules covering the organizational and managerial framework and employee responsibilities for ensuring the security of data, systems and relevant infrastructure. Measures have been put in place to guarantee proper logical and physical security, information asset management, access control and risk management.

An "Information security" department functions within the Bank under the supervision of the Chief Risk Officer, which coordinates the activities related to information security, defines the requirements towards controls and security of data, as well as organizes the execution of the Management Board's decisions in this respect.

In 2021, the Bank enhanced its internal rules on management of IT changes and projects, as well as the activity, composition and competences of the IT committee to the Managing Board..

Personal data protection

As part of its internal organization as a data controller, the Bank further structured and developed the principles and grounds for processing personal data, including with regard to their transparency, legitimacy, rights of data subjects, as well as technical and organizational measures to protect such data.

In compliance with the requirements of the General Data Protection Regulation (GDPR), the Bank has a Data Protection Officer (DPO) – e-mail: dpo@fibank.bg. The DPO has a leading role in ensuring the lawful processing of personal data in the Bank's structure, conducts awareness-raising training and contributes to building a data protection culture. The DPO is a contact person with the Commission for the Protection of Personal Data and on issues related to the exercise of the rights of the data subjects.

Business continuity management

In order to ensure the effective management of business continuity, First Investment Bank maintains contingency and business continuity plans, as well as plans for the recovery of all its critical functions and resources, which are regularly tested. Business continuity management ensures sustainability at all organizational levels within the Bank, as well as the opportunity for effective actions and reactions in crisis situations. The organization of processes ensured within the Bank aims at protecting the interests of all stakeholders, its reputation, brand and the value-adding activities.

Building an appropriate corporate culture with regard to business continuity management is an important part of the overall risk culture of the Bank. To further integrate information and apply a centralized approach, the internal rules on business continuity were structured into a single document with main content and separate action plans for specific incidents and crisis situations. The organization thus established aims to ensure rapid and effective action for addressing potential crisis situations, as well as the timely elimination of any negative consequences.

In 2021, as part of the annual review of the Business continuity plan, the latter was updated, incl. with respect to the time needed for recovery of information systems, additions on the alternative suppliers of critical functions and financial markets infrastructures, as well as plan included for assessment of the pandemic situation and planning of necessary anti-epidemic measures within First Investment Bank..

Risk exposures

As at 31 December 2021 First Investment Bank applied the standardized approach for the calculation of risk exposures for credit risk, in accordance with Regulation (EU) No 575/2013. Due to the limited volume of financial instruments in the trading book (bonds and other securities) capital requirements are calculated in accordance with the requirements of Regulation (EU) No 575/2013 as applied to the banking portfolio. With respect to capital requirements for operational risk, the Bank applies the standardized approach as per requirements of Regulation (EU) 575/2013, incl. methodology for allocation of the indicators as per group activities.

In BGN thousand/ % of total	**2021**	**%**	**2020**	**%**	**2019**	**%**
For credit risk	6,941,701	92.6	6,834,786	92.2	6,385,596	91.2
For market risk	4,713	0.1	5,525	0.1	4,750	0.1
For operational risk	552,425	7.4	573,675	7.7	612,838	8.8
Total risk exposures	**7,498,839**	**100**	**7,413,986**	**100**	**7,003,184**	**100**

In 2021 the structure of risk-weighted assets comprised predominantly those to credit risk at 92.6% of total exposures (2020: 92.2%), followed by those for operational risk at 7.4% (2020: 7.7%) and to market risk at 0.1% (2020: 0.1%) The Bank continued to maintain a conservative approach in the risk assessment and risk management.

Apart from Supervisory purposes, Fibank also calculates the economic capital that will ensure its solvency and business continuity in adverse market conditions. For that purpose, an internal capital adequacy analysis (ICAAP) is carried out.

Internal capital adequacy analysis

First Investment Bank AD performs regular internal capital adequacy analysis (ICAAP) in the context of its business strategy, risk profile and risk appetite. The assessment of the required economic capital of the Bank reflects the risk profile of its activity, as well as its risk appetite, as the main indicators of the quantitative evaluation methods used take into account unfavorable external environment scenarios.

In 2021, the ICAAP report was updated in accordance with Fibank's Risk Strategy and business development goals, as well as with the operational environment and external conditions. An integrated stress test in accordance with the EBA guidelines was added to the set of used analysis methods, assessing the Bank's resilience under the baseline macroeconomic scenario and the adverse scenario (negative shock). The framework for interest rate risk in the banking book (IRRBB) was further developed and improved, and a credit spread risk assessment in the banking book (CSRBB) was integrated. The methodology for determining the capital to cover equity trading portfolio risk was changed, using stress test assumptions based on the EBA adverse scenario. The model for determining the capital for legal risk was further developed using Monte Carlo simulations for the probability of litigation losses that the Bank may incur over a one-year horizon.

When preparing the ICAAP report, a business model assessment is made, as well as internal control framework, incl. independent risk, compliance and internal audit functions are taken into consideration. The internal system for assessing the required internal capital is based on VaR forecasting models for credit and market risk, stress tests for credit, market, liquidity, reputational, and interest rate risk in the banking book, using the standardised approach and stress tests regarding operational risk, the Earnings-at-Risk approach for strategic risk, and on analytical tools and techniques that allow more detailed assessment of capital adequacy in accordance with the risk profile of the Bank and the current operating environment. For aggregating the various types of risks the Bank uses a correlation matrix, which takes into account the connection between the separate risk categories, aiming at a more realistic and more enhanced approach for measuring the risk the Bank is exposed to, at the same time as sufficiently conservative estimates.

For calculation of capital adequacy regarding the exposure to **credit risk**, First Investment Bank uses internal valuation models, except in particular cases, e.g. in exposure classes with negligible impact on the risk profile. For exposure classes of substantial importance, which constitute the main credit activity of Fibank, economic capital is determined based on a single-factor portfolio credit-VaR model which determines the probable distribution of losses that may be incurred within a one-year horizon, at confidence interval corresponding to the risk appetite of the Bank. To quantify the risk of occurrence of extraordinary, unlikely but possible events, stress scenarios are applied. The stress scenario results are compared with the capital requirements for credit risk, calculated according to the portfolio VaR model.

As part of the overall assessment of the exposure to credit risk, for the purposes of ICAAP, First Investment Bank assesses the concentration risk which is due to the uneven distribution of credit exposures by client, or by a group of related persons, as well as by economic sectors, from the perspective of its financial stability and ability to carry out its core business. For the quantitative evaluation of the needed economic capital for this risk, the Bank matches the results of the portfolio VaR model between the real and a hypothetical portfolio, in which the amount of exposures is one and the same at all customers at equally all other conditions. For calculating the concentration risk as per economic sectors, a Herfindahl-Hirschman Index (HHI) is used.

The Bank's exposure to **market risk** is limited and involves the assessment of capital adequacy in relation to position risk, foreign exchange risk, and commodity risk. For calculation of the economic capital for market risk, internal value-at-risk (VaR) models are used, with a time horizon of 1 year and a confidence level corresponding to the risk appetite of the Bank, as well as stress tests for position risk of the equity portfolio.

For the purposes of the internal analysis of capital adequacy, Fibank manages the **interest rate risk in its banking book** by managing the structure of investments, controlling the costs and terms of financial liabilities, as well as controlling the interest rate structure of the loan portfolio and the other interest-bearing assets. Two aspects are being measured for the interest rate in the banking book – the effect of interest rates on the net interest income at a one-year horizon, and the effect on the economic value of the Bank. For calculating the sufficiency of the economic capital with respect to interest rate risk in the banking book the largest decrease in the economic value of the Bank or the net interest income is defined resulting in a shift of the yield curves in the following scenarios: Parallel shock – parallel increase/decrease of interest rate levels; Short rates shock – increase/decrease in the interest rate levels in the short part of the curve; Steepener – the short part of the yield curve registers decrease, while the long part – increase; Flattener – the short part of the yield curve registers increase, while the long part – decrease. In addition to the non-risk interest rate component, reported are also the stress scenarios for change in the credit spread (CSRBB).

For the purposes of ICAAP, First Investment Bank calculates the required economic capital for **operational risk** on the basis of the results from the applied stress tests and the annual self-assessment exercise on risk and controls, which units in the Bank go through, and on identifying potential scenarios for rare but plausible operational events. The used by the Bank stress tests are for extraordinary but probable events, including different scenarios based on their financial impact and probability of occurrence. The economic capital for operational risk, incl. legal risk, is calculated as the overall financial effect in a one-year horizon based on all analyzed stress scenarios.

To assess **liquidity risk**, the Bank differentiates the analysis in two directions regarding the risk of insolvency and the risk of providing liquidity. The risk of insolvency is managed and covered by maintaining an appropriate buffer of unencumbered, highly liquid assets, while the risk of providing liquidity is covered and mitigated by economic capital. The Bank calculates economic capital for liquidity risk by assessing the amount of loss that would be incurred as a result of a liquidity crisis, (idiosyncratic, market and combined shock), taking into account the cost of repo transactions or liquidating assets to meet the cash outflow, as well as the expected increase in interest expense on borrowings.

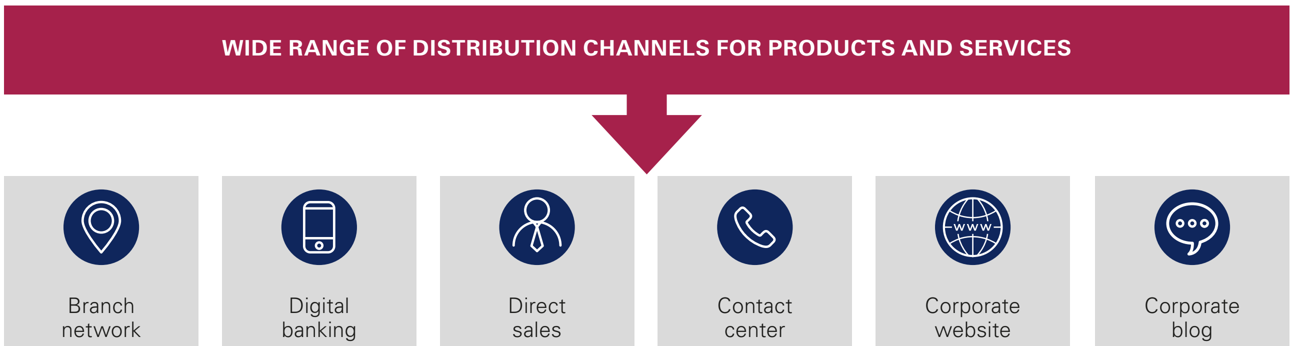
For the purpose of ICAAP, the Bank assesses and **other risks**, including strategic risk and reputational risk. For the quantification of strategic risk, the Earnings-at-Risk approach is used, measuring the historical deviations between the budgeted and generated net profit of the Bank. The capital allocated for strategic risk is determined by applying a percentage of deviation corresponding to the accepted confidence level to the budgeted net profit for the next year.

The reputational risk reflects the risk that the Bank's reputation may differ negatively from the expected standard in terms of its expertise, integrity and reliability. Reputational risk may materialize mainly in loss of business, increased cost of funding, or liquidity crisis the effects of which are measured in the assessment of strategic risk and liquidity risk.

We cherry pick
the most desirable options

Distribution channels

Distribution channels for products and services



First Investment Bank maintains diversification of the channels for distribution of the products and services offered, including a well-developed branch network, wide network of ATM and POS terminals, e-banking, mobile banking, direct sales, contact center, corporate website and a corporate blog. All channels are constantly improved in line with the current trends in banking, market conditions, technological development and customer needs.

Branch network

First Investment Bank strives to maintain an adequate balance between a well-developed network of physical locations and the provision of modern remote banking techniques, including in the context of the digital transformation in the banking sector.

In 2021, the Bank continued to optimize its branch network, taking into account the external environment and market conditions, the workload of individual locations and the volumes of activity. Eight offices were closed during the year, three of them in Sofia and five in the rest of the country. As at 31 December 2021, the branch network of First Investment Bank comprised a total of 141 branches and offices on a consolidated basis (2020: 149), located in 60 cities in Bulgaria: 44 locations in the city of Sofia (2020: 47), 82 branches and offices in the rest of the country (2020: 87), one foreign branch in Nicosia, Cyprus, as well as a subsidiary bank in Albania with Head Office and 14 branches in Albania. *For further information regarding the branch network of First Investment Bank – Albania Sh.a., see section "Business review of subsidiary companies".*

The branch network both in Sofia and in other places in the country is structured according to a unified organizational model with a view to efficient allocation of budgetary targets, focusing on attracting new customers and cross-selling. There are 27 branches in the country, while in the capital 5 functional branches have been established: Central, East, West, North and South, to each of which offices are allocated based on territorial location and business indicators.

In connection with the development of the pandemic COVID-19, Fibank continued to take actions and measures regarding the internal organization of the branch network, incl. safety requirements, protective panels, social distance, provided safety equipment for the Bank's employees and customers.

As part of the ongoing improvement and optimization of processes, the branch digitization project was developed, aimed at introducing electronic document and electronic signatures in offices, as well as reducing the use of paper documents in a sustainable way, in order to introduce a new model of customer servicing, developing digitalization in everyday operations. Since 2019, the Bank has centralized the back office, which contributes to better customer service.

Full scope of products and services

	Retail clients	Business clients
Deposit and savings products	•	•
Payment services	•	•
Package programs	•	•
Debit and credit cards	•	•
Diners club cards	•	•
Mortgage loans	•	
Consumer loans	•	
Loans to business customers		•
Trade financing		•
Project financing		•
Factoring		•
Europrograms financing		•
Digital banking	•	•
Investment services	•	•
Investment gold and products of precious metals	•	•

Fibank branches and offices in the country offer the full range of banking products and services to both individuals and business customers. In an effort to better satisfy customer demand, part of the branch network operates with extended working hours, while some offices are also open on weekends.

The branch of First Investment Bank in Nicosia, the Republic of Cyprus, has been operating since 1997, initially mainly in the area of corporate lending. Over the years, it has systematically and consistently expanded the range of products and services. At present, the branch offers standard credit and savings products, payment services and e-banking, with a focus on SME customers and retail banking.

Contact center – *bank (*2265), 0800 11 011

In 2021, Fibank's Contact Center functioned as an effective channel for communication and targeted selling of products and services. It also contributed to the attraction of new and retention of current customers through the provision of services in accordance with the Bank's established standards and business objectives.

Throughout the year, 38 outgoing campaigns of different nature and topics were conducted through the Contact Center, including information campaigns, direct marketing of products and services, consumer opinion surveys, as well as campaigns in support of loan collection (soft collection). Over 69,000 outgoing calls were made, with a high response rate achieved.

For the reporting period, the Contact Center received over 75,000 incoming calls, emails and chat conversations in relation to various inquiries and requests by existing or potential customers, including on general banking information, card services, contact and reference information, product requests, etc.

Through the Contact Center, customers may also apply for debit card overdrafts or apply for consumer loans. They may receive up-to-date and timely information on products and services, the Tariff and interest rates of the Bank, the location of branches and their working hours, as well as adequate and professional assistance by employees in case of questions or problems. Customers may communicate remotely with the Bank by phone, email or online chat in real time through the corporate website of the Bank.

Corporate website – www.fibank.bg

In 2021, First Investment Bank continued to develop its corporate website in order to transform it into an active channel for product communication and cross-selling. During the year it started offering a new service - "Video consultation" for individuals regarding credit products of the Bank, available through www.fibank.bg. Through the site could be submitted online applications for credit cards, overdrafts and consumer loans, as well as to communicate directly with an expert from the Bank.

The corporate website has a number of features, including visualization elements in line with current digital trends and features for intuitive design and personalized content. They provide an easy way to compare products and services offered by the Bank, allowing customers to quickly select the ones that best meet their needs.

During the year, a review of the corporate website was conducted in order to assess its compliance with standards for providing accessible content (including Harmonized European Standard EN 301 549 V2.1.2, 2018-08 on accessibility requirements for ICT products and services). The Bank is committed to maintaining a consistently high level of accessibility of published information and to ensuring usability of content by people with disabilities (impaired hearing or eyesight).

Corporate blog

In 2021, in the continuing pandemic of COVID-19, the corporate blog of First Investment Bank, together with other online communication channels, incl. social networks had a key role in communicating with customers, as an important part of the key messages, news, initiatives were disseminated through these online channels.

Over the years, the Bank has striven to continuously develop its corporate blog in line with current trends in communication in the Internet environment, while maintaining an intuitive and user-oriented approach, design and functionality of the platform. It engages in open dialogue and customer feedback, thus enabling the Bank to explore the usability of products and services, as well as customer satisfaction. In addition to the new topics related to products and services of the Bank, incl. in support of individuals and legal entities affected by the situation with COVID-19, the corporate blog presents the diverse range of social and corporate initiatives of the Bank, financial analyzes and studies related to the market of banking products and services in the country, current news on various topics, as well as useful information for customers. It provides an open dialogue and feedback with customers, thus providing an opportunity to study the usability of the Bank's products and services and customer satisfaction.

Apart from its corporate blog, First Investment Bank also maintains active online communication in real time with customers and stakeholders through leading social networks such as Facebook, Instagram, LinkedIn, Twitter and YouTube.

Sales

First Investment Bank uses direct sales as an additional opportunity for distribution of products and services, including for comprehensive bank servicing of institutional and corporate clients This approach helps to build long-term relationships with key customers, as well as to obtain direct feedback on the Bank's products and services.

The Corporate Sales and Public Procurement Department in the system of First Investment Bank has considerable experience in preparing the Bank's participation in public procurement, as well as in servicing corporate and institutional clients, budget spending units, state and municipal enterprises.

In 2021 Fibank participated in over 90 public procurement procedures and competitions, and in around 50% of them the Bank was chosen as a servicing bank, therefore attracting new business clients and maintaining relations with existing ones.

Digital banking

My Fibank electronic banking

The My Fibank electronic banking platform of First Investment Bank has been designed as a single customer service channel and is constantly developed by upgrading and adding new functionalities. The platform is integrated with the core banking IT environment, providing a high level of system security, optimization and greater workflow efficiency, as well as increased productivity.

Through the My Fibank electronic banking, customers use both active and passive banking according to their needs and depending on their access rights to the system. As part of the active banking, customers can open and close current and deposit and other accounts, carry out payments in national and foreign currency (including mass payments), make utility payments, apply for and enter into agreements for credit products (including credit cards), request the issuance of debit cards, as well as buy or sell foreign currency. Passive banking allows customers to check transactions and balances on bank accounts and/or payment cards. It also provides information on locations of branches and ATMs, as well as exchange rates, news and current promotions.

Expanding the scope of services offered, as of 2021 customers may purchase online products, including electronic vignettes, by using their accounts or payment cards in My Fibank electronic banking or the mobile application. They may also open a Gold Account: an innovative product for purchase, sale and keeping of dematerialized gold (XAO).

A number of technical innovations and improvements were made to My Fibank during the year, including an updated design, a new alternative method of account management, new application forms for mortgage loans, overdrafts, credit and debit cards, as well as a remote activation option (for cards delivered by courier). Remote opening of accounts and entering into agreements with customers were further developed at www.smetka.fibank.bg.

In compliance with the regulatory requirements arising from Regulation (EU) 1230/2021, First Investment Bank added a new functionality to e-banking, allowing preliminary visualization of the fees due when ordering a transfer.

With regard to strong customer authentication (SCA) requirements, First Investment Bank provides the software Fibank Token as a means of signature and identification in the electronic banking system, which includes two-factor authentication and the use of QR code scanning technology.

In accordance with the EU regulations and the trends in the development of digital banking, First Investment Bank has provided Third Party Providers (TPPs) with access to customer accounts maintained at the Bank and available online for provision of account information and payment initiation services: the so-called Open Banking. In addition, using the arrangements of Directive (EU) 2015/2366 (PSD2) to expand and integrate its services, First Investment Bank also offers customers account information and payment initiation services via the My Fibank mobile banking platform. *For more information on open banking, see the Payment Services section.*

In 2021, the integrated My Fibank electronic banking platform continued to establish itself as a channel generating a predominant share (nearly 80%) of the total outgoing transfers of the Bank, with a reported growth of 15% in transactions and 11% in number of customers using the platform.

As proof of its achievements in the field of digital banking during the period, Fibank was awarded as Digital Bank of the Year – Bulgaria by the international Global Brands Magazine for its contribution to the development of innovations and ensuring a secure and reliable digital banking system.

During the year, the team of the Digital Banking Department won the internal Most Valuable Team competition which distinguishes the team meeting the highest corporate standards for effective and efficient interaction with other units in the Bank as a prerequisite for quality customer service.

My Fibank mobile application

The Bank's mobile application is part of My Fibank electronic banking, providing remote access to the integrated platform by using a mobile device. The application is available for installation by customers from the app marketplaces for the respective operating systems (e.g. AppStore, Google Play, Huawei AppGallery).

With the mobile application, customers may use active or passive banking subject to limits set by the Bank or by the customer. In addition, the innovative Digital Payments service developed by Fibank allows customers to use digital bank cards through the mobile application and thus make digital payments with their NFC enabled mobile devices at POS terminals supporting contactless payments.

In 2021, Fibank continued to develop its mobile application by launching MyCard: a new type of virtual credit card without plastic, designed for making payments over the Internet or other remote means of communication, including through mobile smart devices. The option was also provided to digitize cards, including in third party apps (Google Pay, Apple Pay, Garmin, Fitbit). *For more information on digitizing cards in third party apps, see the Card Payments section.*

During the year, push notifications were further developed to provide a variety of information to customers regarding their transfers, account transactions, card authorizations, credit card obligations, utility payments, or changes to the Tariff of the General Terms of the Bank.

The Bank's efforts are aimed at providing first class service with a focus on digital methods and channels in order to increase the share of self-service solutions and promote sustainable banking.

Corporate governance statement

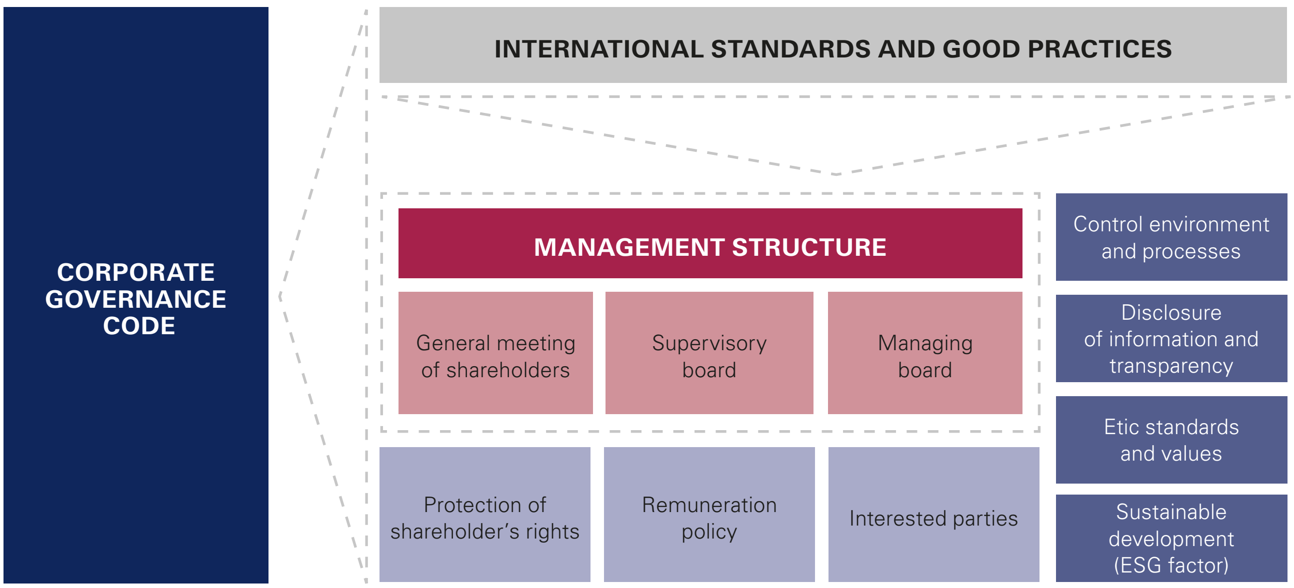
pursuant to Art. 100m of the Public Offering of Securities Act
and Art. 40 of the Accountancy Act

As a public company and public interest entity, First Investment Bank discloses information about its corporate governance practices, as this section of the Annual Report represents a Corporate Governance Statement pursuant to Art. 100m of the Public Offering of Securities Act and Art. 40 of the Accountancy Act.

Corporate governance framework

For First Investment Bank AD good corporate governance is a key element for ensuring long-term and sustainable development, and successful business model. The corporate policy of the Bank is based on professional and transparent governance in accordance with internationally recognized standards and principles of good corporate governance, taking into account changes in the regulatory and economic environment as well as the financial markets in the country and abroad.

Key elements in the corporate governance frame



The corporate governance of First Investment Bank is a system of policies, rules, procedures and practices by which the Bank is managed and controlled, with clearly defined functions, rights and responsibilities at all levels: General Meeting of Shareholders, Supervisory Board and committees to it, Managing Board and committees and councils to it, Internal Audit, and structures at the headquarters, branches and offices. First Investment Bank has a two-tier governance system consisting of a Supervisory Board and Managing Board.

First Investment Bank applies written policies for corporate governance on group level, which defines the main principles on internal governance and control over the subsidiaries, as well as the procedures and mechanisms facilitating the consistent and integrated development of the companies in line with group strategy and in compliance with regulatory and supervisory bodies' requirements.

In 2021, the Bank further improved its corporate governance policies, including at group level, the functions for monitoring the activity of subsidiaries, the assessment of suitability of members of management and supervisory bodies and key function holders, the structuring of activities and the composition of committees and councils to the Management Board, the budget and strategy policies, as well as the disclosure practices, including new disclosure and accountability requirements related to sustainable development and to environmental, social, and governance (ESG) factors.

Corporate governance code

First Investment Bank AD functions in accordance with the Corporate Governance Code adopted by the Managing Board and approved by the Supervisory Board. It outlines and structures the main components, functions and responsibilities constituting the system of corporate governance of First Investment Bank. In addition to the requirements of applicable law in the Republic of Bulgaria, the Code is structured by applying the principles of the Basel Committee on Banking supervision, the guidelines of the European Banking Authority (EBA), as well as the applicable standards of the Organization for Economic Cooperation and Development (OECD) in this field, and the recommendations of the National Corporate Governance Code (last amended, July 2021), approved by the Financial Supervision Commission.

The Code sets out the basic principles and requirements for maintaining and improving the organization and methods of governance at the Bank, aimed at:

- honest and responsible governance based on adding value;
- effective practices of management oversight and control;
- executive management and senior staff acting in the best interest of the Bank and towards increasing the value of shareholders' equity;
- timely information disclosure and transparency;
- effective system of risk management and control based on the principle of three lines of defense.

In compliance with the requirements of the applicable legislation, First Investment Bank annually discloses information on the corporate governance practices and meeting the requirements set in the Corporate Governance Code of First Investment Bank applying the "comply or explain" principle. Along with its annual report and financial statements, the Bank discloses to the public also a corporate governance assessment scorecard in compliance with the National Corporate Governance Code.

In addition to the Corporate Governance Code, First Investment Bank applies a Disclosure Policy. Both documents are publicly available at the corporate website of the Bank (https://www.fibank.bg/bg/za-nas/korporativno-upravlenie/kodeks-na-korporativno upravlenie).

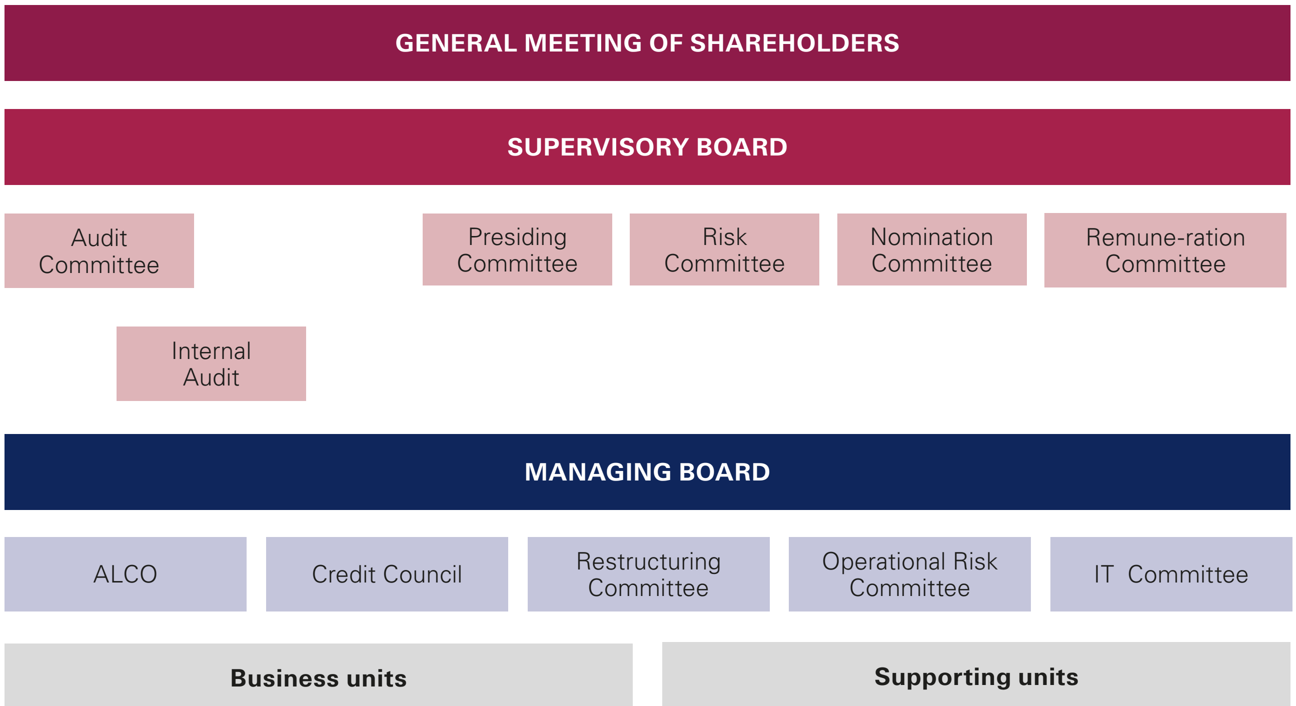
In 2021, the requirements specified in these were met, including the requirements for disclosure of regulated information and information under the financial calendar of the Bank for 2021.

Code of conduct and whistleblowing policy

For the purpose of establishing the professional and ethical standards required and applicable to the Bank as a business company, work environment and a credit institution, Fibank has a Code of Conduct that determines the basic principles, ethical norms and corporate values which underlie the policies and business plans, rules, procedures and daily operational activities of the Bank.

The Bank, led by the understanding that following a lawful and ethical conduct in relations between managerial staff, employees, customers and partners of the Bank is an important aspect underlying its overall activity, has in place a whistleblowing policy. The Policy aims to systematize the means and procedures for internal sharing of information where there are suspicions of unlawful actions, or problems related to the work process, thereby ensuring their transparent and fair consideration and resolution. The creation of conditions for reporting in an environment of trust and respect, as well as for carrying out consistent and impartial actions to verify the received reports, is a key element in preserving the Bank's high corporate spirit and reputation.

Management structure



Supervisory board

Structure and competences

As at 31.12.2021 the Supervisory Board consisted of five members, as follows:

Name	Position	Term of office
Evgeni Krastev Lukanov	Chairman of the Supervisory Board	24.01.2027
Maya Lubenova Georgieva	Deputy Chair of the Supervisory Board	24.01.2027
Radka Vesselinova Mineva	Member of the Supervisory Board	24.01.2027
Jordan Velichkov Skortchev	Member of the Supervisory Board	24.01.2027
Jyrki Ilmari Koskelo	Member of the Supervisory Board	27.07.2025

The business address of all Supervisory Board members is 37, Dragan Tsankov Blvd., 1797 Sofia.

Each member of the Supervisory Board has professional experience, knowledge, qualifications and abilities, in compliance with the fit and proper requirements, contributing for the collective suitability in accordance with the activities carried out by the Bank, the main risks and long-term goals.

During the year the general meeting of shareholders re-elected the current members: Mr. Evgeni Lukanov, Ms. Maya Georgieva, Ms. Radka Mineva and Mr. Jordan Skortchev for a new 5-year term as members of the Supervisory Board of First Investment Bank.

As at 31 December 2021 the members of the Supervisory Board held a total of 367,652 shares of First Investment Bank, as follows: Mr. Evgeni Lukanov (337,139 shares), Ms. Maya Georgieva (11,388 shares), Mr. Jordan Skortchev (19,125 shares), as none of them owned more than 1% of the issued share capital.

In July 2021, we gave our last farewell to Mr. Georgi Dimitrov Mutafchiev (1957 – 2021) – former Member of the Supervisory Board and of the Presiding Committee to the Supervisory Board of the Bank. Mr. Mutafchiev dedicated more than 21 years of his professional life to the development and affirming of First Investment Bank among the leaders in the financial market in the country.

Diversity policy and independence

First Investment Bank complies its activity and maintains policies and practices for ensuring diversity in the composition of its governing bodies, including various aspects such as work experience, educational qualifications, gender.

The Bank seeks to maintain a target level of 30% of the members of the Supervisory Board to be from the underrepresented gender (rounding down to an integer if necessary). As of 31 December 2021, the Bank fulfilled the set target level as two of the Supervisory Board members were women. The reported levels exceeded the average levels in EU related to management board in its supervisory function (24%) according to latest reported data in research for diversity practices of the European Banking Authority (EBA Report on the benchmarking of diversity practices at European Union level under Article 91(11) of Directive 2013/36/EU (2018 data), EBA/REP/2020/05, published at https://eba.europa.eu/regulation-and-policy/internal-governance).

For further information regarding the professional experience and competences of the Supervisory Board members see section „Other information".

The composition of the Supervisory Board is structured so as to ensure conscientious, professional and independent fulfillment of the obligations of its members. First investment bank complies with the requirements applicable for significant banks and public companies, for 1/3 of the members of the Supervisory Board to be independent.

Functions and responsibilities

The Supervisory Board of First Investment Bank supervises and, where necessary, advises the Managing Board and monitors the overall activities of the Bank. It adopts and oversees the implementation of the strategic objectives, the corporate governance framework, and the corporate culture of the Bank. When exercising supervision over the Managing Board, the Supervisory Board takes into account the achievement of objectives, the strategy and risks in the activity of the Bank, as well as the structure and operation of the internal systems for risk management and control.

The Supervisory Board ensures supervision of the risk management framework, including risk appetite, internal governance and the control system of all types of risks by requiring high risk culture among employees. It carries out its activity effectively exchanging information with the Managing Board subject to specifics, and by implementation of high ethical standards and the corporate values of business conduct sets the tone for high corporate culture and business ethics: "Tone of the Top".

The meetings of the Supervisory Board are determined in advance, in accordance with an annual work plan. In 2021, the Supervisory Board held 14 meetings to consider issues within its competence. Among the highlights in its activity were exercising ongoing supervision over the implementation of the Risk Strategy and the Strategy for Reduction of Non-performing Exposures and Acquired Assets, as well as approval of an updated Risk Management Strategy and Risk Appetite Framework with a three-year horizon with the active support of the Risk Committee. Subject to regular review during the period were the progress of development of products/instruments meeting the minimum requirements for own funds and eligible liabilities (MREL), as well as the condition of the branch network and the activity of branches. Also discussed were issues related to the Bank's activities in the context of the COVID-19 pandemic and the implementation of its strategic development objectives. During the year, the Supervisory Board exercised control over the reliability of financial information reporting and the internal audit framework, in which activity it was assisted by the Audit Committee. Regular reviews were performed of the financial results, market shares and competitive position of the Bank, as well as of the potential areas for development. The Supervisory Board members were regularly updated on matters of compliance and bringing the activity in line with new regulatory requirements.

The activity of the Supervisory Board is supported organizationally by a Secretary. In addition to organizing the meetings of the Supervisory Board and the minutes, the secretary has the responsibility to follow the application of the procedures, as well as to ensure the information to be provided and exchanged between the members of the Supervisory Board, members of the committees and the Managing Board.

Assessment of the activity

Once a year, the Supervisory Board performs an assessment of the effectiveness of its own activities as a collective body and individually, assessment of the governance practices and procedures, suitability, as well as of the functioning of the Managing Board and the committees to the Supervisory Board. Such assessment for 2021 was accomplished at the end of the fourth quarter of the year.

Committees

The Supervisory Board is supported in its activity by a Presiding Committee, a Risk Committee, a Remuneration Committee, and a Nomination Committee which function according to written competencies, rights and responsibilities in compliance with the applicable regulatory requirements.

The **Presiding Committee** is responsible for overseeing the activities of the Managing Board on important strategic decisions, including the issue of new shares, bonds, hybrid instruments, the adoption of programs and budgets relating to the activity of the Bank, as well as the line responsibilities of the members of the Managing Board. During the year the activity of the Committee was expanded by delegating from the Supervisory Board the function for overview and control over the activity of the subsidiary companies of the Bank. Chair of the Presiding Committee is Ms. Maya Georgieva.

In 2021, the Presiding Committee held 7 meetings to consider issues within its competence, including allocation of responsibilities among members of the Management Board, making recommendations and coordination of the strategic development goals and business strategy of the Bank for the period 2021-2023, as well as updating the strategy and budget policies, including with regard to allocation of budget targets and internal management at group level.

The **Risk Committee** advises the Supervisory Board and the Managing Board in relation to the overall current and future strategy on ensuring compliance of the risk policy and risk limits, risk-taking propensity and control of its execution by senior management. Chairman of the Committee is Mr. Jyrki Koskelo.

The Risk Committee held 8 meetings during the reporting period, discussing issues of its competence. It reviewed updated plans and current risk reports, including the Recovery Plan, for the purpose of coordination and subsequent application. During the year, the Committee reviewed and made recommendations on the updated Risk Management Strategy and Risk Appetite Framework with a three-year horizon. It was regularly informed and monitored the implementation of the Risk Strategy, the Risk Appetite Framework, the Strategy for Reduction of Non-performing Exposures and Acquired Assets, as well as the effectiveness of the internal risk management and control systems and the compliance function in the Bank. During the year, the Risk Committee held discussions on the quality of the loan portfolio, including in view of the effects and consequences of the COVID-19 pandemic..

The **Remuneration Committee** assists the Supervisory Board in the implementation of the Remuneration policy of the Bank and its subsequent amendments, as well as in any other matters concerning remuneration, in accordance with the regulatory requirements and best practices in the area. Chair of the Remuneration Committee is Mr. Evgeni Lukanov.

In 2021, the Remuneration Committee held 3 meetings discussing issues of its competence related to the Remuneration Policy. It also reviewed proposals in connection with the annual assessment process and updating the categories of identified staff.

The **Nomination Committee** assists the Supervisory Board in assessing the individual and collective suitability of members of the Supervisory Board and Managing Board, as well as assessing the suitability of the key function holders in compliance with applicable regulations and the Policy of First Investment Bank for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions. Chair of the Nomination Committee is Mr. Jordan Skortchev.

During the year the Nomination Committee held 7 meetings considering issues within its competence, including on the selection and suitability of persons holding senior management positions in the Bank's subsidiaries, changes in the composition of councils and committees to the Management Board, as well as annual follow-up assessments of the individual and collective suitability of members of the Supervisory Board, the Management Board and key position holders. The Nomination Committee also discussed topics related to planning of trainings within the institution.

As a company of public interest and according with the Law on the Independent Financial Audit (LIFA), the Bank has a functioning Audit Committee which is responsible for supervising the financial reporting and the independent financial audit, as well as for the effectiveness of the systems for internal control and risk management in the Bank. The Committee also makes a recommendation in the selection and remuneration of the registered auditors to perform the independent financial audit of the Bank and monitors their independence in accordance with the applicable European and national regulations, as well as with the Code of Ethics for

Professional Accountants. The activity of the Audit Committee is structured based on written defined competencies, rights and responsibilities, included in its rules of procedure (stature under the meaning of Art. 107 of LIFA) in compliance with the requirements of the Law on the Independent Financial Audit and Regulation 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities.

First investment Bank fulfills the requirement the majority of the members, incl. the chairman of the Audit Committee to be external and independent from the Bank. In June 2021, at the General Meeting of Shareholders as a new independent member and chairman of the Audit Committee was elected Mr. Dimitar Dimitrov, with a 3-year term, who possesses financial competencies as well as the knowledge, professional experience and qualifications in the field of accounting and financial audit necessary for the effective performance of his duties. Mr. Jordan Skortchev was also re-elected for a new 3-year term as member of the Audit Committee of the Bank.

During the year, the Audit Committee held 15 meetings, addressing various matters of its competence, including recommendations on the selection of statutory auditors, as well as ongoing monitoring of financial reporting and independent financial audit, monitoring the effectiveness of the internal audit function and control systems, including through regular meetings held with the Chief Financial Officer, the Director of Internal Audit, as well as with representatives of the statutory auditors of the Bank.

Managing board

In 2021 no changes were made to the composition of the Managing Board of First Investment Bank. During the year the current members Mr. Chavdar Zlatev and Ms. Nadia Koshinska were re-elected for a new 5-year and 4-year term respectively as members of the Managing Board of the Bank.

Structure and competences

At the end of 2021 the Managing Board of First Investment Bank AD consisted of six members elected by the Supervisory Board on the recommendation of the Nomination Committee, in accordance with the requirements of applicable law, the Statute of the Bank, and the Policy of First Investment Bank for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions.

Name	Position	Term of Office
Nikola Hristov Bakalov	Chief Executive Officer (CEO), Chairman of the Managing Board	16.01.2025
Svetozar Alexandrov Popov	Chief Risk Officer (CRO), Member of the Managing Board and Executive Director	21.04.2024
Ralitsa Ivanova Bogoeva	Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director	28.04.2023
Chavdar Georgiev Zlatev	Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director	25.01.2027
Ianko Angelov Karakolev	Chief Financial Officer (CFO) and Member of the Managing Board	21.05.2023
Nadia Vasileva Koshinska	Member of the Managing Board and Director of SME Banking Department	30.06.2025

The business address of all Managing Board members is 37, Dragan Tsankov Blvd., 1797 Sofia.

The Management Board members are elected for a period of up to 5 years and can be re-elected for further mandates without limitation.

The members of the Managing Board are established professionals with high reputation and proven leadership qualities and capacity to translate their knowledge, skills and experience into well-argumented solutions that can be applied to the practices in the Bank, aiming to achieve the objectives and the development strategy and stable management of the institution.

As at 31 December 2021 the members of the Managing Board held a total of 33,649 shares of First Investment Bank, as follows: Mr. Nikola Bakalov (374 shares), Mr. Svetozar Popov (5856 shares), Mr. Chavdar Zlatev (27,173 shares), Mr. Ianko Karakolev (12 shares), Ms. Nadia Koshinska (234 shares). None of them owned more than 1% of the issued share capital.

Diversity policy

In accordance with the policies and practices for maintaining and ensuring diversity in the composition of the management bodies, the Bank seeks to maintain a target level of 30% of the members of the Managing Board to be from the underrepresented gender, if necessary rounding down to an integer. As of 31 December 2021, the Bank fulfilled the set target level as two of the Managing Board members were women. The reported levels exceeded the average levels in EU related to management board in its management function (15%) according to reported data in research for diversity practices of the European Banking Authority (EBA Report on the benchmarking of diversity practices at European Union level under Article 91(11) of Directive 2013/36/EU (2018 data), EBA/REP/2020/05, published at https://eba.europa.eu/regulation-and-policy/internal-governance). *For further information regarding the professional experience and competences of the Supervisory Board members see section „Other information".*

The composition of the Managing Board is structured so as to ensure effective management of operations, subject to the generally accepted principles of managerial and professional competence and clear separation of duties and responsibilities. The Bank is represented together with each two of the executive members of the Board (executive directors).

Functions and responsibilities

The Managing Board of First Investment Bank is the body which manages the Bank independently and responsibly, in accordance with the established mission, objectives and strategies. The Managing Board operates under rules of procedure approved by the Supervisory Board. Its main functions are to manage and represent the Bank by resolving all matters affecting the Bank within its scope of activities, except those of the exclusive competence of the General Meeting of Shareholders or the Supervisory Board according to the law and the Statute of the Bank. The Managing Board organizes the implementation of decisions of the General Meeting of Shareholders and the Supervisory Board, and performs any other functions assigned to it by those bodies or the law. According to the statutes and internal regulations, certain decisions of the Managing Board are subject to approval by the Supervisory Board, while others require coordination with a committee to the SB.

In accordance with the principles of good corporate governance, an open dialogue is maintained between the Supervisory Board and the Managing Board of First Investment Bank. Besides the regular reports on implementation of objectives and activities, joint meetings are also conducted. The Managing Board immediately notifies the Chairman of the Supervisory Board or his deputy of any circumstances that are of material importance to the Bank and provides timely information regarding implementation of the business strategy, risk appetite, achievement of objectives, risk limits or rules relating to regulatory compliance, the system of internal control, or the compliance of the Bank's activity with the regulatory requirements and the external environment.

The Managing Board of First Investment Bank holds meetings every week. The meeting agenda is prepared in advance. For the meetings of the Managing Board minutes are prepared which are signed by all members that were present at the meeting.

The activity of the Managing Board is supported organizationally by a Secretary, who is employed on a full-time basis and possesses the necessary qualifications and skills to ensure that the governing bodies follow internal rules and external regulations, as well as facilitating communication between them.

Committees and councils to the managing board

The activity of the Managing Board is supported by collective bodies, including the Credit Council, Assets, Liabilities and Liquidity management Council (ALCO), Restructuring Committee, and the Operational Risk Committee, which function according to written structure, scope of activities and functions – *for more information see section „Risk Management".*

Other internal collective bodies also operate in the Bank, e.g. an IT Committee, which as an auxiliary body to the MB, is responsible for monitoring the implementation of the Bank's IT strategic program, and to manage and control the IT project portfolio, the targeted use of resources and the approved budget in this area – *for more information see section „Information technology".*

In line with the long-term priorities aimed at reducing non-interest-bearing assets and ensuring their effective realization, a Commission for the management and sale of assets functions within the Bank. Its role is to assist the Management Board in relation to the management, administration and sale of acquired assets, in accordance with the Levels of authority established in the Bank. The Commission is chaired by a member of the Management Board, while the other members include the directors of the Impaired Assets, Asset Management and Administrative departments, as well as the Head of the Asset Valuation division to the Finance department.

As an auxiliary body in the Bank functions also Commission on cash operations, chaired by the Chief Retail Banking Officer, while the rest of the members include directors of the following departments: Vault, Accounting, Branch Network and Analysis and Control of Risk, and the deputy director of Security department.

General meeting of shareholders

The General Meeting of Shareholders of First Investment Bank is the most senior management body, allowing shareholders to decide on fundamental issues concerning the existence and activities of the Bank. In particular, the General Meeting of Shareholders decides on amendments and supplements to the Statute of the Bank, on increasing or reducing the capital, as well as on transformation or dissolution of the Bank. The General Meeting of Shareholders has powers to appoint or dismiss members of the Supervisory Board, the Audit Committee and the Head of the Internal Audit of the Bank, decide on the distribution of profit, on the issuance of bonds, as well as on any other matters under the Statute of the Bank and the applicable law.

In June 2021, an Annual General Meeting of Shareholders was held, which represented 89.24% of the share capital and voting rights, at which a decision was taken that the entire net profit of the Bank for 2020 shall be capitalized and set in other reserves with general purpose. Amendments were made to the By-laws of First Investment Bank for authorizing the Management Board within a period of 5 years as from 11.08.2021, with the prior approval of the Supervisory Board, to adopt a resolution for the issuance of debt instruments, including subordinated term debt and debt/equity (hybrid) instruments, up to the aggregate amount of BGN 2 billion or its equivalence in another currency.

The General Meeting of Shareholders elected registered auditors for performing independent financial audit of the Bank for 2021 – BDO Bulgaria OOD and Ecovis Audit BG OOD. The companies were elected after prior approval of the Bulgarian National Bank and recommendation from the Audit Committee of the Bank based on criteria for coordination of the selection, approved by the BNB together with the Commission for Public Oversight of Statutory Auditors. Decisions were taken at the GMS for re-election of members of the Supervisory Board, as well as for election of a new independent member of the Audit Committee of the Bank – *for further information see section „Supervisory Board".*

With a view to greater efficiency and facilitating the implementation of certain decisions, the General Meeting of Shareholders with its previous decisions of 19.06.2019, 29.05.2017 and 16.05.2016 authorized the Management Board, with the prior approval of the Supervisory Board, to adopt resolutions for: issuance of mortgage bonds under the Law on mortgage bonds with a general nominal amount of BGN 400,000,000 with maturity up to 10 years from date of issuance and other conditions, defined by the Managing Board (within a period of 5 years as from 23.07.2019); for increase, through issuance of new shares, of the Bank's capital until it reaches an aggregate nominal amount of BGN 210,000,000.00 (within a period of 5 years as from 23.06.2017).

Control environment and processes

The Bank has established and constantly improves a reliable and comprehensive internal control framework which includes control functions with the necessary powers and rights of access, enabling independent performance of duties by the structural and auxiliary units exercising monitoring and control.

The risk management processes, procedures and requirements are structured according to the "three lines of defense" principle, which include the business units, risk management and compliance functions, as well as internal audit. The control functions are independent of the operational business units which they monitor and control, and are also organizationally independent of one another as they perform different functions. *For more information on risk management and compliance functions see section „Risk Management"*.

The internal control framework is in compliance with the applicable requirements in this sphere, including Ordinance No 10 of the BNB on the Organisation, Governance and Internal Control of Banks and EBA Guidelines on internal governance. During the period, the procedures for reviewing complaints were updated, as well as the rules for performing compliance checks with regards to investment services and activities, part of the Compliance function within the Bank.

First Investment Bank applies written policies and rules regarding the disclosure of conflicts of interest, in accordance with the adopted Policy for managing of conflict of interest, which consolidates the requirements in the applicable internal banking documents and further develops the necessary organization for timely identification, management, avoidance and minimizing present and potential conflicts of interest.

Internal audit

The internal audit function established in First Investment Bank has broad powers, independence, resource availability and access to the competent management and supervisory bodies. It contributes to the effective management of the Bank, giving reasonable assurance that legal regulations, rules and procedures are adhered to, and appropriate and timely corrective actions are taken, thereby helping to reduce the risk of losses and to achieve the business objectives of the Bank.

The internal audit carries out periodic inspections to ensure the achievement of goals and objectives, the economical and efficient use of resources, adequate control of various risks, protection of assets, reliability and integrity of financial and management information, and compliance of activity with current legislation and the existing policies, plans, internal rules and procedures.

In 2021 the General Meeting of Shareholders of First Investment Bank approved the 2020 annual report of the Internal Audit which informs shareholders of the main results of the control activities of internal auditors, the measures taken, and their implementation.

Registered auditors

The annual financial statements of First Investment Bank are subject to independent financial audit jointly by two audit companies, which are registered auditors pursuant to the Law on Independent Financial Audit and in compliance with the applicable legislation. In order to ensure transparency and to disclose the results of the Bank to all stakeholders, the audited financial statements are published in Bulgarian and English on its corporate website at www.fibank.bg.

The registered auditors are elected by the General Meeting of Shareholders on a proposal by the Supervisory Board and following a recommendation by the Audit Committee of the Bank. The registered auditors are audit companies independent from the Bank, and their selection is also agreed in advance with the Bulgarian National Bank based on criteria for coordination of the selection, approved by the BNB together with the Commission for Public Oversight of Statutory Auditors.

The registered auditors selected to perform independent financial audit of the annual financial statements of the Bank for 2021 are:

- BDO Bulgaria OOD, UIC: 831255576, entered in the register of registered auditors, maintained by the Commission for Public Oversight of Statutory Auditors under registration № 016; and
- Ecovis Audit BG OOD, UIC: 204901453, entered in the register of registered auditors, maintained by the Commission for Public Oversight of Statutory Auditors under registration № 176.

In its capacity of a company of public interest in accordance with the Law on the Independent Financial Audit, an Audit Committee functions within the Bank. *For further information on its functions and responsibilities see section „Supervisory Board“.*

Protection of shareholders' rights

The corporate governance of First Investment Bank protects the rights of shareholders, depositors and other customers of the Bank, treating all shareholders of the Bank equally, including minority and foreign shareholders. The governing bodies of First Investment Bank provide shareholders and investors with regular and timely disclosure of information about major corporate events related to the operation and condition of the Bank, ensuring informed exercising of shareholders' rights, and informed investment decision-making by investors.

Convening of GMS and information

The convening of the General Meeting of Shareholders is made by written notice to shareholders in accordance with the Statute of the Bank in order to encourage their participation in the General Meeting, and in such a way as not to impede the voting or make it unnecessarily expensive. The Bank provides shareholders with timely and adequate information for decision-making, taking into account the scope of competence of the General Meeting. The invitation, together with the written materials related to the agenda of the General Meeting, are announced in the Commercial Register to the Registry Agency, submitted to the Financial Supervision Commission, and made available to the public through www.x3news.com at least 30 days before holding the General Meeting. They are also published on the website of the Bank in Bulgarian and English from the time of the announcement until the conclusion of the General Meeting. Upon request, the materials are provided to each shareholder free of charge. As part of the invitation written rules for voting with proxy are included, also requirements related to documents prepared in a foreign language, as well as information on receiving and accepting notifications, warrants of attorney and other documents through electronic means of communication were also laid down.

In cases where the Bank employees are also its shareholders, the same requirements regarding voting rights that are currently applicable to the other shareholders are applied.

Main transfer rights and restrictions

All shares issued by First Investment Bank AD are ordinary, dematerialized, registered, and each share entitles its holder to one vote at the General Meeting of shareholders, and to a dividend and liquidation share in proportion with its nominal value. The Bank may not issue shares with different nominal values.

The Bank's shares are freely transferable, subject to the requirements of applicable law. Under the regulatory framework, natural or legal persons, or persons acting in concert, may not, without prior approval of the BNB, acquire directly or indirectly shares or voting rights in the Bank if, as a result of such acquisition, their holding becomes qualifying, or if such holding reaches or exceeds the thresholds of 20, 33 or 50 percent of the shares or voting rights, or when the Bank becomes a subsidiary.

No restriction on the rights of individual shareholders holding shares of the same class is allowed, and there are no shareholders of First Investment Bank with special voting rights. Also, the Bank has no knowledge of agreements between shareholders that could lead to restrictions on the transfer of shares, or voting rights.

First Investment Bank maintains a special section on the rights of shareholders on its corporate website at (https://www.fibank.bg/bg/investitori/korporativno-upravlenie/prava-na-akcionerite).

Minority shareholders and institutional investors

In accordance with good corporate governance practices, the Bank develops initiatives to engage minority shareholders and institutional investors.

In an effort to maintain an open line of communication with shareholders and investors, First Investment Bank maintains an Investors Club, by registering in which all stakeholders can receive e-mail notifications of any investor information disclosed by the Bank to the public.

The Bank aims to organize and hold meetings with minority shareholders, with a view to furthering transparency and creating an opportunity for open dialogue and feedback between them and the senior management of the Bank, as well as their opportunity to contribute and work actively for the successful development of First Investment Bank AD. In 2021 two meetings with minority shareholders were held – in August and November 2021, at which the financial results of the Bank for first half and third quarter of the year were presented, as well as the new services offered by the Bank and a discussion on the strategy for development in digital banking and SME banking.

In accordance with good corporate governance practices, aiming at equal treatment of respondents, the notice for the regular meetings with minority shareholders, as well as the results from their holding, were publicly disclosed through www.x3news.com, as well as on the Bank's website.

Information disclosure

Transparency and timely disclosure of information is a key principle in corporate governance. First Investment Bank maintains a system of disclosure in accordance with current regulations, which is aimed at providing timely, accurate and understandable information about significant events, allows for objective and informed decisions, ensures equal access to information and prevents abuse of insider information.

First Investment Bank has Disclosure policy adopted by the Managing Board and approved by the Supervisory Board that outlines the framework for provision of information to stakeholders, shareholders and investors in accordance with modern practices of good corporate governance and provides an opportunity for making objective and informed decisions and assessments. In disclosing information, the Bank is guided by the principles of accuracy, accessibility, equality, timeliness, integrity and regularity. At the end of 2021 the Bank updated its disclosure policy in compliance with the applicable regulatory requirements in this sphere, incl. the new Ordinance No 2 of FSC from 09.11.2021 for the initial and subsequent disclosure of information in public offering of securities and admission for trading of securities on a regulated market (Ordinance No 2 of FSC), as well as with the requirements on sustainable development pursuant to Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Regulation (EU) 2020/852) and the delegated acts for its implementation, as well as to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Regulation (EU) 2019/2088).

In its capacity as a public company and issuer, Fibank discloses to the public (through www.x3news.com) periodic information, including annual financial reports audited jointly by two registered auditors, as well as interim financial and activity reports. The scope of periodic information disclosed by First Investment Bank exceeds the requirements of national legislation, as the Bank has decided to publicly disclose quarterly financial activity reports in compliance with Art. 100n1, par.7 of LPOS and Art.15, par.2 of Ordinance №2 of the FSC, which have more detailed content than that of its half-year reports, instead of the more concise public notifications for financial condition for the first, third and fourth quarter.

First Investment Bank prepares its Annual Report in Bulgarian and English. It contains detailed information on the development and competitive position of the Bank and its financial results, implementation of objectives and review of business by type of activity, as well as information on the management structure, the corporate governance framework (Corporate Governance Statement pursuant to the Public Offering of Securities Act and the Accountancy Act), risk management, non-financial information, incl. related to sustainable development (Non-financial statement within the meaning of the Accountancy Act) and remuneration policy and its implementation (Report on the implementation of the remuneration policy under the meaning of the Public Offering of Securities Act). With respect to the report the registered auditors shall gave their opinion whether it corresponds to the financial statements and is prepared in compliance with the applicable regulatory requirements.

The Bank also immediately discloses ad hoc information on important events related to its activity. Information is also published on the website of Fibank: www.fibank.bg, Investors section.

Since 2016, First Investment Bank has participated in the EU-wide transparency exercise conducted by the European Banking Authority (EBA), which includes aggregated and detailed bank-level information on capital position, risk exposures, leverage and asset quality. The exercise is part of EBA's actions aimed at promoting transparency and market discipline in the EU financial market. In 2021, 120 banks and banking groups from 25 countries from the EU and EEA, took part in the exercise. Information on the results of First Investment Bank are publicly available on the website of EBA at https://eba.europa.eu/risk-analysis-and-data/eu-wide-transparency-exercise.

First Investment Bank maintains a corporate website, including an English-language version, with established content and scope of the information disclosed therein. It provides information about the products and services of the Bank, as well as essential trading and corporate information about the Bank, including on shareholder structure, management and supervisory bodies and their committees, financial reporting and activity reports, as well as the other information required under the regulatory requirements and the National Corporate Governance Code. A special, easily accessible Investors section is maintained on the website, featuring detailed and updated corporate governance information, stock information, financial information, news for investors, general meetings of shareholders, etc.

In addition, Fibank publishes information on the Bank in the form of presentations and interviews with senior management, press releases, journals (e.g. Fibank News), discloses detailed information on the products and services of the Bank, the applicable terms and conditions and the Tariff and any amendments thereto, as well as non-financial information on events and initiatives conducted as part of its corporate social responsibility policy.

In 2021, the Bank prepared its activity in compliance with the requirements with respect to disclosure of information in the single electronic reporting format pursuant to Delegated Regulation (EU 2019/815. According to which the annual financial reports and activity reports shall be disclosed in XHTML format, while specific parts of the consolidated financial statements shall be marked by using the in-line XBRL format, which is a machine readable format.

Investor relations director

With a view to establishing an effective relationship between First Investment Bank and its shareholders and persons that have interest in investing in financial instruments issued by the Bank, an Investor Relation Director is appointed within First Investment Bank – Mrs. Vassilka Momchilova Stamatova.

The Investor Relations Director of First Investment Bank has the necessary qualifications and professional experience for performing her obligations and responsibilities. The director is responsible for the timely disclosure of all needed reports, notifications and information the Bank is required to disclose to the Financial Supervision Commission, the Bulgarian Stock Exchange, the Central Depositary and the public, as well as to keep a register of all sent materials.

In execution of the applicable regulatory requirements, in June 2021 the Investor Relations director of the Bank reported her activity during 2020 at the Annual General Shareholders' Meeting and her report was adopted by the shareholders unanimously.

The business address of the Investor Relations Director is 37, Dragan Tsankov Blvd., 1797 Sofia, tel. +359 2 / 81 71 430, email: vasilka.stamatova@fibank.bg / ir@fibank.bg.

First Investment Bank has a mobile investor relations application providing quick access to financial information, the financial calendar of the Bank, as well as other data and news of interest to investors.

Stakeholders

First Investment Bank applies a policy of providing information to stakeholders about its activity. Those include persons who are not shareholders but are interested in the economic development of the company, such as creditors, bondholders, customers, employees, the general public, and others.

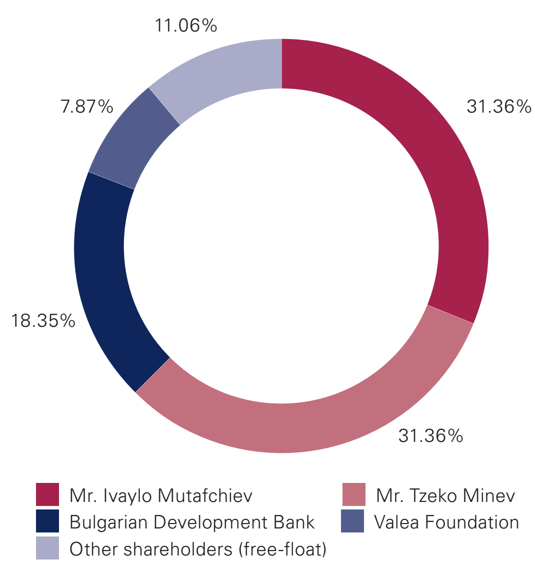
Periodically, in accordance with legal requirements and best practices, First Investment Bank discloses information of a non-financial nature, including on sustainable development taking into consideration ecological, social and government (ESG) factors. The Bank supports ecological initiatives, aimed at reducing the carbon footprint, as well as socially significant projects, provides sponsorship and develops donation programs directed primarily towards disadvantaged people, talented children, supporting Bulgarian sport, culture and education. *For more information, see section „Sustainable development".*

For twelve years now, First Investment Bank has maintained and developed a corporate blog which functions as a channel of communication aimed at open dialogue in accessible language with customers, partners and other stakeholders.

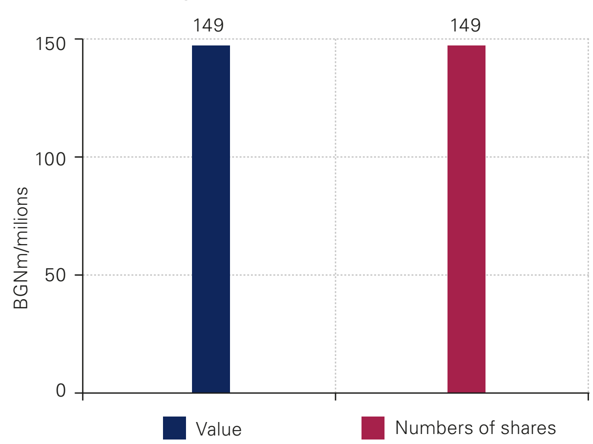
Shareholders' structure

As at 31 December 2021 the shareholder structure of First Investment Bank included the following shareholders: Mr. Tzeko Minev (31.36%), Mr. Ivailo Mutafchiev (31.36%), Bulgarian Development Bank AD (18.35%) and Valea Foundation (7.87%).

Shareholders' structure at end-2021



Issued share capital at end-2021



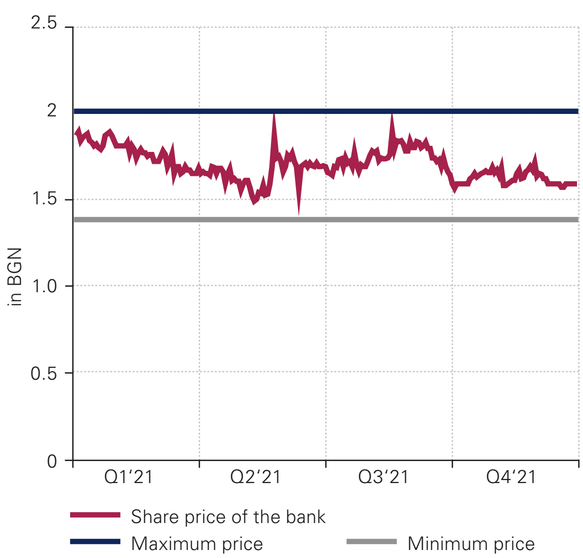
The remaining 11.06% of the Bank's issued share capital (BGN 16.5 million) was owned by other shareholders, holding shares subject to free trade on the Bulgarian Stock Exchange (free-float). At the end of the year the total number of shareholders was over 2,000 which include both individuals and legal entities, including institutional investors.

During the reporting period First Investment Bank did not acquire or transfer own shares, and at the end of the reporting period the Bank did not have own shares.

Share price and market capitalisation

In 2021, the share price of the Bank fluctuated in the range between BGN 1.51 to BGN 1.91. The last price of the shares of First Investment Bank for the reporting period was BGN 1,60 (2020: BGN 1,84) and the market capitalization of the Bank, calculated on this basis, amounted to BGN 238,536 thousand. (2020: BGN 274,316 thousand). A total of 2,368 transactions were concluded with the shares of the Bank on the regulated market BSE, amounting to a turnover of BGN 3,597 thousand, compared to 4,219 transactions and BGN 8,322 thousand turnover a year earlier.

Share price of the bank during 2021



Main stock-exchange indices on Bulgarian stock exchange

As at 31 December 2021, the shares of the Bank were traded on the Main Market BSE, Premium Equities Segment of the Bulgarian Stock Exchange and were included in three stock exchange indices – SOFIX, BGBX40 and BGTR30, which bring together the largest, most traded and most liquid companies on the stock exchange in Bulgaria.

Report on the implementation of the remuneration policy

within the meaning of Art. 100n of the Public Offering of Securities Act

In its capacity as a credit institution and a public company, First Investment Bank discloses information regarding the remuneration policy and its implementation.

Remuneration policy

In its capacity as a credit institution and a public company, First Investment Bank discloses information regarding the remuneration policy and its implementation, and this section of this activity report represent Report on the implementation of the Remuneration Policy within the meaning of Art. 100n of the Public Offering of Securities Act.

Main principles and objectives

The remuneration principles of First Investment Bank are structured in such a way as to contribute to sound corporate governance and risk management. The Bank implements a Remuneration Policy in accordance with the regulatory requirements, which is consistent with the business and risk strategy, goals, values and long-term interests of the Bank, promoting reliable and effective risk management and does not stimulate risk-taking beyond the level acceptable to the Bank.

The main goal of the Policy is to attract and retain highly qualified staff, motivate them to achieve high results at a moderate level of risk and in accordance with the long-term interests of the Bank and its shareholders. It is based on the principles of avoiding conflicts of interest and equal treatment of all employees, gender neutrality, documentation, objectivity, reliable risk management.

Enforcement and control authorities

The Managing Board of the Bank is responsible for the organization of the implementation and application of the Remuneration Policy in First Investment Bank AD.

The Supervisory Board shall approve the Remuneration Policy on the proposal of the Managing Board and after coordination with the Remuneration Committee, which as a body functioning within the Supervisory Board, supports its activities in this area. *For more information on the Remuneration Committee, see the section "Supervisory Board"*.

The Remuneration Policy is a subject to review at least once a year and updated as necessary.

Identified staff

The Remuneration Policy determines the categories of staff, incl. the identified staff, whose professional activities have a significant impact on the risk profile of the Bank, incl. members of the Supervisory Board and senior management staff, including members of the Managing and executive directors; employees with managerial responsibility for independent control functions and those whose activities involve risk-taking.

For 2021 the number of identified staff of First Investment Bank on a consolidated basis amounts to 61 employees, which include members of the Supervisory Board and the Managing Board, as well as other persons, whose activities are related to risk-taking, incl. in the field of lending and the main business lines, as well as those related to independent control and other corporate functions. They are defined in accordance with the internal methodology for evaluation and determination of the categories of employees by the identified staff, developed according to the qualitative and quantitative criteria of Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile.

Fixed remuneration

Individual permanent remuneration of identified staff is determined and developed by defining remuneration levels for the specific position. A starting level is determined at which employees are generally appointed, taking into account their expertise and relevant and proven managerial experience, as well as a remuneration level after successfully passing the probationary period, defined as a percentage increase over the starting level.

Permanent remuneration of employees within the category of identified staff is subject to annual review, which is carried out as part of the process of planning and budgeting staff numbers and staff expenses for the next year. The review of permanent remuneration and change decisions are based on assessment of employees' performance using a number of elements. They include performance against specific pre-defined key indicators/targets reflecting the specific contribution of the position and consistent with the targets and key priorities of the unit; indicators measuring the personal productivity and efficiency of employees; current priorities of the Bank by individual business line; general trends in the development of the labor market and/ or data on current remuneration levels for similar positions; approved levels for the specific position and levels and individual remuneration of employees at similarly graduated positions; staff costs budgeted for the period.

Ratio between fixed and variable remuneration

The Remuneration Policy establishes the basic principles in determining of remuneration - fixed and variable, and the aim is to provide an opportunity for an optimal ratio between fixed and variable remuneration in accordance with the applicable provisions.

The amount of the variable remuneration may not exceed the amount of the permanent remuneration, except in the cases when by a decision of the General Meeting of Shareholders of the Bank a higher amount is determined, but not more than twice the amount of the permanent remuneration.

Criteria for evaluation and implementation of the activity

The variable remuneration shall be based on the results of the activity and the achieved goals, taking into account the level and time horizon of the assumed risks, the price of the capital and the necessary liquidity. The assessment shall be based on an appropriate combination of financial (quantitative) and non-financial (qualitative) criteria, including a combination of the assessments of the employee’s performance, the structural unit in which the employee works and the Bank as a whole.

The quantitative criteria shall include indicators such as budget execution, achievement of target levels of earning, capital adequacy and effectiveness, as well as other risk-adjusted indicators (e.g. economic/ internal capital), through which ex ante risk adjustment.

The quality criteria shall include achieving strategic goals, adherence to the Bank’s policies and strategy for risk management, customer satisfaction, compliance with internal rules, ethical norms and corporate values, initiative, motivation, leadership, teamwork, cooperation with the other structural units, etc.

Specific requirements for deferration, payment in instruments and retention of variable remuneration

In accordance with the current legislation and the Remuneration policy at least 50% of the variable remuneration of the employees from identified staff, shall comprise of shares and other instruments related to shares or equivalent non-cash instruments, as well as instruments within the meaning of Art. 52 or Art. 63 of Regulation (EU) № 575/2013 or other instruments which can be fully converted into Common Equity Tier 1 instruments or written down, as far as such instruments adequately reflect the credit quality of the Bank as a going concern and are appropriate to be used for the purpose of the variable remuneration in line with Delegated Regulation (EU) № 527/2014.

The requirements regarding the instruments to determine an appropriate retention period are included in order to comply with the incentives with the long-term interests of the Bank.

The remuneration policy shall provide a mechanism for a deferred payment of at least 40% of the variable remuneration of the identified staff for a period of at least four to five years, depending on the economic cycle, the nature of the activity and the associated risks, as well as by the position of the respective employee. The deferral mechanism shall involve proportionate allocation of the deferred variable remuneration or its gradual increase over the period of deferral.

Leave benefits

According to the concluded contracts for management and control in case of unilateral termination by the Bank, without notice, the members of the Managing Board are entitled to compensation in the amount of up to 6 monthly remunerations under the contract, and the branch managers - 2 months. According to the concluded agreements between the Bank and the members of the Supervisory Board, upon termination of the contract the members of the Supervisory Board are due compensation up to 12 monthly remunerations, and in special cases the compensation is up to 24 monthly remunerations. The employment contracts of the Bank’s employees comply with the applicable provisions of the Labor Code and do not contain clauses that differ from the provisions of the law and the usual practice.

In 2021, no severance pay was paid to the identified staff.

Summary of quantitative information

In 2021, the remuneration paid to senior management amounted to BGN 10,863 thousand (2020: BGN 10,087 thousand). During the year, no variable remuneration was paid under the meaning of Ordinance No4 of the BNB for the requirements towards remunerations in banks.

The credit exposure of the persons controlling or managing the Bank at the end of the period amounts to BGN 3513 thousand (2020: BGN 1769 thousand) on a consolidated basis.

For more information on Related party transactions and remuneration paid, see Note 35 "Related Party Transactions" of the Consolidated Financial Statements for the year ended 31 December 2021.

Non-financial declaration

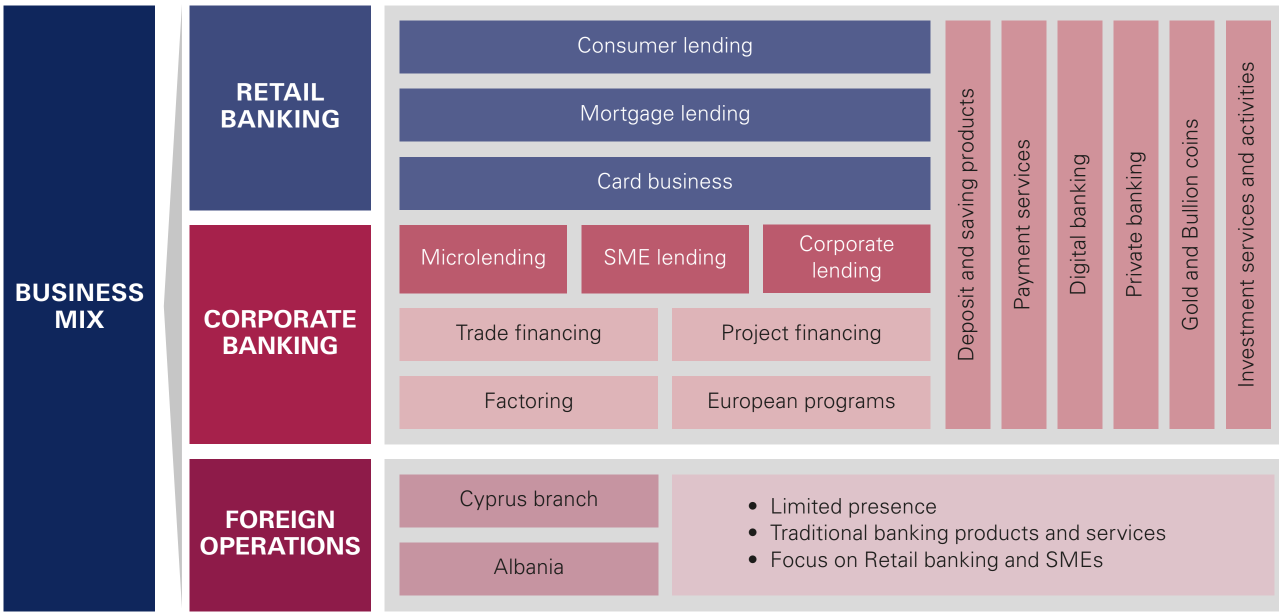
within the meaning of Art. 51 of the Accountancy Act

In accordance with legal regulations and good practices, First Investment Bank discloses in its Annual Reports non-financial information that represents a Non-financial statement within the meaning of Art. 51 of the Accountancy Act.

Business model

First Investment Bank offers a universal business mix of products and services to individuals, as well as to business clients, incl. strategic focus for development in the spheres of retail, small and medium-sized enterprises.

Universal business mix of products and services



BUSINESS PRINCIPLES	COMPETITIVE ADVANTAGES
• We believe that trust is the basis of long-term relations. • We strive not only for the best practices and results, but we have the goodwill and discipline to achieve them. • We appreciate and respect our business partners. • We strive for development and proactive solutions. • We are engaged in social issues and we make our contribution to their solution. • We bear responsibility for our decisions and actions.	• First-class customer service. • Well-recognised brand. • Deep knowledge of the market. • Wide branch network. • Innovative digital services. • Solid market positions. • Flexibility in decision-taking. • High professional standards.

Fibank successfully adapts its business model and business development to the current challenges of the external environment, including the processes of digitalization and the sustainable development trends. Contributing to this are its customer-oriented strategy, conservative risk policy, experienced management, as well as high corporate governance standards applied in practice.

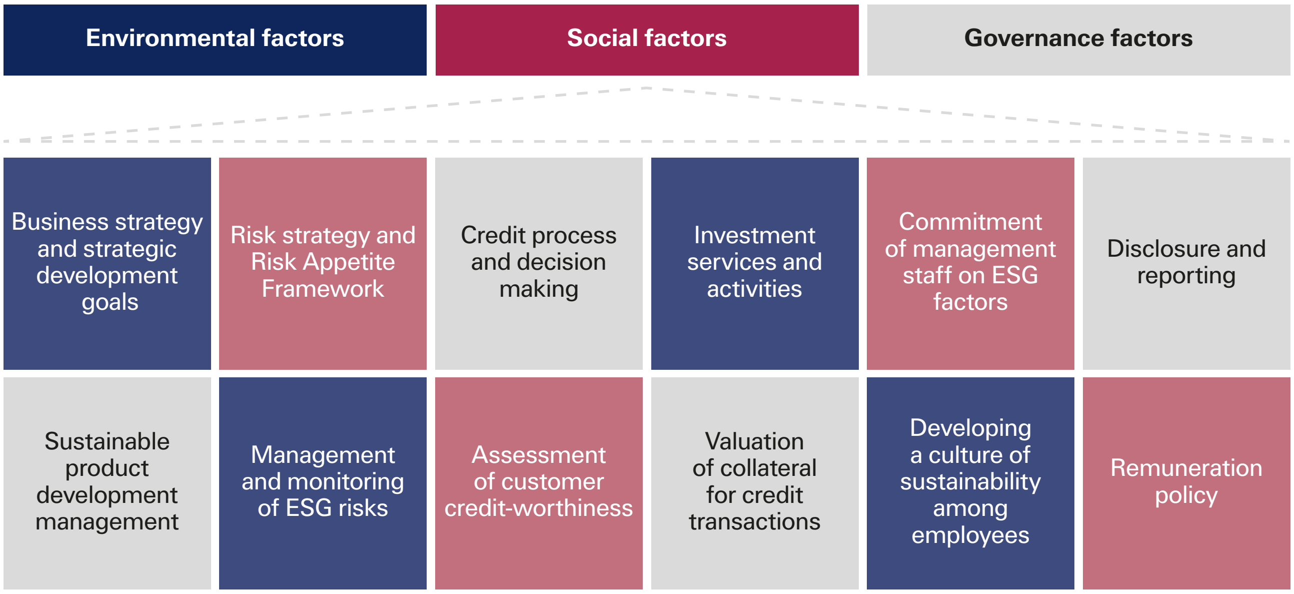
For further information regarding the structure of the Group, see section section „Fibank profile“.

Sustainable development

The factors related to climate change and sustainable development (ecological, social and governance - ESG), has increasing reflection on business activities and lead to changes in business models. Their implementation in all processes is fundamental for the long-term development of the Bank. It is extremely important also for adequate response to market expectations, support of clients and the community as a whole.

In 2021, First Investment Bank undertook important steps (organization, roadmap) for implementing the requirements reflecting ESG factors in the activity, its strategic planning and business strategy, risk manadement framework and internal governance.

Integration of sustainable development in the activity of the Bank



The Bank takes a holistic approach to the implementation of sustainability requirements through integration in its business processes, risk management and corporate governance framework, including the lending process and decision-making, credit assessment of borrowers and investment activity, as well as in setting the tone by the management in terms of commitment and developing a sustainability culture among employees.

During the year, Fibank joined the Sustainable Finance working group of the Association of Banks in Bulgaria which aims to monitor changes in sustainable development and assist banks in addressing them, including with respect to reshaping business strategies and objectives, taking into account the impact of ESG factors, incorporating ESG risks in risk management strategies, organizing trainings to develop sustainable development commitment within the sector, as well as coordination and providing guidance on disclosure and reporting in the area of ESG risks and sustainability.

In 2021, First Investment Bank took a number of actions and implemented initiatives and projects related to sustainable development, including on environmental, social and governance issues.

Environmental issues

First Investment Bank recognizes the growing importance of environmental issues and climate risk, which are reflected in the business development strategies of banks and have a significant impact on risk management in institutions.

During the year, Fibank reviewed its business strategy and set target exposure volumes by business segment for the period 2022-2024 meeting the requirements for "green" lending under Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Taxonomy Regulation), with a view to achieving the objectives of the Paris Agreement on climate change mitigation and adaptation. Emphasis was placed on credit programs assisting the transition to decarbonisation in sectors subject to transitional risk, as well as on the development of programs to reduce carbon emissions from own activities.

At the end of the year, the Bank performed an analysis of its customers and loan portfolio in order to identify exposures to taxonomy-eligible economic activities under the requirements of the Taxonomy Regulation and its delegated acts. As of 31.12.2021 the exposures towards taxonomy eligible and non-eligible economic activities, calculated in line with the requirements of Delegated Regulation (EU) 2021/2178 on the disclosures with respect to ecologically sustainable economic activities (Delegated Regulation (EU) 2021/2178) were as follows:

Exposures as of 31.12.2021	**% of total assets**	**% of covered assets[10]**
Taxonomy eligible economic activities	9%	12%
Taxonomy non-eligible economic activities	56%	72%
Total financial and non-financial corporations	**65%**	**84%**

At the end of the year, the Bank's securities investment portfolio included bonds backed by "green" projects or by loans for mitigation of greenhouse gas emissions totaling over EUR 25 million (BGN 49,207 thousand).

In addition, in compliance with applicable regulations, First Investment Bank discloses information for its exposures to financial and non-financial corporations, which are/are not obliged to publish non-financial declaration, as well as the exposures to central governments, central banks and supranational issuers, derivatives and other as a share of the total assets of the Bank, as follows:

Exposures as of 31.12.2021	**% of total**
Financial and non-financial corporations, which are obliged to publish non-financial declaration/information	4%
Financial and non-financial corporations, which are not obliged to publish non-financial declaration/information	61%
Total financial and non-financial corporations	**65%**
Central governments, central banks and supranational issuers	22%
Derivatives	0%
Other	13%
Total assests	**100%**

Starting from 1 January 2024, banks and financial corporations will have to disclose the green asset ratio: a key sustainable development indicator showing exposures related to taxonomy-aligned activities as a percentage of total assets in compliance with the technical verification criteria established for each economic activity under Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

In line with the adopted policies for reducing the carbon footprint and investing in sustainable development, new credit products in the field of sustainable financing were developed and launched at the end of the year: Green Transport, intended for purchase of new electric vehicles by business customers; Green Energy - Free Market for companies wishing to invest in the construction of photovoltaic systems for production of electricity for free market sale; and Green Energy - Own Use for construction of photovoltaic systems generating electricity for own consumption or for sale.

As part of the initiatives to protect the environment and reduce harmful emissions, a new Eco Portfolio product was developed. It is intended for both individual and business customers and is linked to a portfolio of bonds backed by "green" projects or by loans for mitigation of greenhouse gas emissions.

- As at 31.12.2021 attracted funds under this structured product amounted to BGN 2,638 thousand.

During the period, as part of Fibank's Smart Lady program, the Sustainable Lady Fund was established in support of innovative "green" projects of women entrepreneurs. The Fund is a joint initiative with Mastercard aimed at equal start, innovation and circular economy, part of the network of global and local projects of the institution in support of ecology.

- At the end of the year, the first projects received financial support in a competition with BGN 10,000 prize fund. It was held in the categories of start-ups and already operating businesses, focusing on projects related to food waste and creating environmentally friendly establishments.

During the year, First Investment Bank joined the initiative of the Bulgarian Stock Exchange and the Independent Bulgarian Energy Exchange for the establishment of a Green Finance & Energy Center functioning as a think-tank on sustainable finance and focusing the efforts of businesses, government and stakeholders towards economic transformation for sustainable development.

10 Covered assets – total assets excluding exposures to central governments, central banks and supranational issuers, and derivatives.

The project aims to promote and participate in the development of policies in the field of sustainable finance and energy, as well as to generate ideas for the development of methodologies for stock indices and financial instruments based on sustainability factors.

In November 2021, for the ninth consecutive year, Fibank stood behind a charitable cause through its 2022 calendar dedicated to the Bulgarian Rhythmic Gymnastics Federation (BRGF) and the idea for sustainable development through research and preservation of Bulgarian varieties of fruits and vegetables. The latter task is in line with the 2030 Agenda for Sustainable Development of the United Nations, aimed at geographical biodiversity and reduction of the carbon footprint and damage to nature from the use of pesticides. The calendar was printed on 100% recycled paper without elemental chlorine or heavy metals and with a neutral pH, in line with the bank's long-term commitment to social responsibility and sustainable development. All proceeds from the sale of the calendar were donated to the Bulgarian Rhythmic Gymnastics Federation and the Agricultural Academy, in support of their activities.

- The funds raised under the initiative amounted to BGN 13,727 which Fibank doubled, thus bringing the total amount to over BGN 27,000.

At the end of 2021, First Investment Bank took a decision to move its headquarters to Sofia Tech One, a new and modern building certified for sustainability as Excellent under the BREEAM. The premises are equipped with a new generation climate management system providing individual settings for rooms and offices which helps reduce carbon (CO2) emissions in the atmosphere.

In addition, as part of initiatives to reduce carbon emissions from own activities, fluorescent lighting in the branch network is gradually being replaced with diode lighting. Air conditioning is also being modernized with efficient and environmentally friendly systems using R32 refrigerant which has 4 times less carbon footprint.

- The Bank's paper consumption decreased by 8% during the year and by 15% annually on average for the period 2019-21, a process driven by initiatives for digitization of the activity.

For further information on the ecological initiatives of the subsidiary companies within the Group of First Investment Bank, see section „Business review of subsidiary companies".

Social issues

In 2021, First Investment Bank strengthened its image as a socially responsible institution by implementing various projects in the fields of corporate donation, education, culture and sports as part of its corporate social responsibility program.

During the period, First Investment Bank further expanded its Smart Lady program mainly targeted at micro enterprises run or owned by women, as well as at businesses whose products and/or services are designed for women. So far the program has funded projects worth over BGN 85 million, helping more than 700 women entrepreneurs create new businesses or develop existing ones.

Additionally, more than 250 ladies have undergone training on specially tailored topics such as digital marketing, presentation skills, overcoming objections, negotiation skills, etc. through the program's web-based platform.

During the year, the partnership between First Investment Bank and the national organization Little People of Bulgaria became part of the Goodness is Never Enough campaign of the Bulgarian Donation Forum. Its main goal is to promote good corporate donation practices and show the importance of joint cooperation between businesses and NGOs. The campaign is implemented within the framework of the Donation for Change project. Fibank was the first Bulgarian bank to build ATM terminals specially adapted for people of short stature five years ago. It continues to increase the number of such ATMs and support the annual activities of the national organization Little Bulgarian People. A project aimed at facilitating the use of the Bank's ATM terminals by blind people was also launched during the year.

As a bank dedicated to supporting the country's culture, during the reporting period Fibank contributed to initiatives in the fields of music, theater and fine arts, including the International Jazz Festival in Bansko, the Sofia Summer Fest and the exhibition of Christo and Jeanne-Claude in Sofia which presented to the Bulgarian public a selection of original lithographs, along with their iconic monumental projects. Fibank continued its support to the social program of the Union of Bulgarian Artists and the fund specially created by UBA through annual donations and social initiatives aimed at raising funds, as well as granting scholarships to talented disadvantaged students in the field of theater.

Fibank continued its joint initiative with the Higher School of Insurance and Finance (HSIF) under the Banking Management and Investment Activity master's program which aims to meet the economy's demand for education based on a combination of established business practices and academic expertise. During the year, Fibank and HSIF granted three scholarships and provided opportunities for professional realization for the most motivated candidates participating in the program.

Development of Bulgarian sports and support for young talents are among the important causes underlying the social responsibility program of First Investment Bank. During the year, the Bank continued to champion initiatives in its capacity as general sponsor of the Bulgarian Olympic Committee (BOC) and sponsor of the Bulgarian Athletics Federation (BAF), the Bulgarian Rhythmic Gymnastics Federation (BRGF) and others. In September 2021, at an official ceremony, the Bank awarded the medalists of the Tokyo Olympic Games, as well as their coaches, with gold and silver coins. In February and March 2021, Fibank also provided support for the starts of the Men's Giant Slalom World Cup in Bansko, as well as the World Junior Alpine Skiing Championship.

For the ninth consecutive year, First Investment Bank awarded the most successful Bulgarian companies in the Best Bulgarian Company of the Year competition. The initiative is carried out thanks to Fibank, its aim being to raise public awareness of good business examples in the country and promote successful business models, thus motivating Bulgarian companies towards competitiveness and innovation.

- In 2021, the total value of funds donated by Fibank for various social initiatives and sponsorships exceeded BGN 720,000.

A testimony to Fibank's achievements during the year was the Golden Heart Award of the Business Lady Magazine. It serves as recognition of the efforts of companies with highest contribution to social causes, and was awarded to Fibank for its consistent policy in the field of corporate social responsibility.

For further information on the social initiatives of the subsidiary companies within the Group of First Investment Bank, see section „Business review of subsidiary companies".

Governance issues

For First Investment Bank AD good corporate governance is a key element for ensuring long-term and sustainable development, and a successful business model. The corporate policy of the Bank is based on professional and transparent governance in accordance with internationally recognized standards and principles of good corporate governance, taking into account changes in the regulatory and economic environment as well as the financial markets in the country and abroad.

First Investment Bank implements written corporate governance policies at group level, which set out the basic principles for internal management and control of subsidiaries, as well as the procedures and mechanisms to promote consistent and integrated development of subsidiaries in line with the group's strategy and in accordance with the requirements of the regulatory and supervisory authorities.

For more information see sections „Corporate Governance Declaration" and „Business review of subsidiary companies".

Ethical issues

Code of ethics

In order to establish the professional and ethical standards required and applicable to the Bank as a business entity, place of work and credit institution, First Investment Bank has a Code of Ethics which defines the basic principles, ethical norms and corporate values on which the policies and business plans, rules, procedures and daily operations are built.

The activity of the Bank is based on the following principles:

- Knowledge and observance of current legislation, moral norms and customs, respect for human rights;
- Loyalty and commitment to the mission and values of the Bank;
- Responsible attitude towards work obligations, good faith, transparency and impartiality;
- Correctness, high ethics, care and respect in customer relations;
- Observance of office hierarchy, proper execution of management orders, mutual respect and tolerance in relations with peers and subordinates, teamwork;
- Avoidance of personal or political biases in the performance of official duties.

Responsibility and compliance

First Investment Bank operates in accordance with the current national and European regulations and other regulatory requirements, according to the established standards of practice and in accordance with the internal regulations. The Bank takes all necessary measures to ensure that in the performance of their duties the members of the management and supervisory bodies of the Bank and all employees act in accordance with the applicable regulatory requirements and the adopted moral and ethical standards of behavior so as to minimize risks associated with the activities of the institution.

In accordance with the effective legislation the banks in the Republic of Bulgaria implement measures to prevent the use of the financial system for the purposes of money laundering and terrorist financing. The measures applied by First Investment Bank aimed at ensuring reliable prevention in accordance with the regulatory requirements in cooperation with other organizations and government bodies. In addition, the principle „Know your client" is a condition for offering appropriate service tailored to the individual needs of each client, as well as contributes to managing risks from illegality operations.

First Investment Bank applies written rules and policies to identify, assess, manage and mitigate current and potential conflicts of interest. The organization of working process in the Bank is meant to minimize the possibility of situations relating to conflicts of interest, as in line with the Code of Conduct of Fibank the employees are obliged to put the interests of the Bank and its clients above their own interests, while keeping confidentiality of information and protection of personal data. Measures and actions are also structured for preventing frauds and corruption practices.

Whistleblowing

The Bank, led by the understanding that following a lawful and ethical conduct in relations between managerial staff, employees, customers and partners of the Bank is an important aspect underlying its overall activity, has in place a whistleblowing policy.

The Policy aims to systematize the means and procedures for internal sharing of information where there are suspicions of unlawful actions, or problems related to the work process, thereby ensuring their transparent and fair consideration and resolution, while securing needed care and protection of the rights of the persons submitting the signals.

The creation of conditions for reporting in an environment of trust and respect, as well as for carrying out consistent and impartial actions to verify the received reports, is a key element in preserving the Bank's high corporate spirit and reputation.

Application at group level

According to its group-level Corporate Governance Policy, First Investment Bank, as a parent company, sets out the basic principles, ethical norms and corporate values, as well as the guidelines for compliance with applicable regulatory requirements and recognized standards for companies within the Group, with a view to establishing a common framework for business ethics and conduct that helps maintain the high reputation of subsidiaries and of the Group as a whole.

Subsidiaries should comply with the Code of Ethics of Fibank and adhere to the guidelines and principles set forth in its Corporate Governance Code, as well as in the Conflict of Interest Policy, the Whistleblowing Policy and the Compliance Policy, always taking into account the applicable local regulations and activity specifics.

In accordance with legal regulations and good practices, First Investment Bank discloses in its Annual Reports non-financial information that represents a **Non-financial statement** within the meaning of Art. 51 of the Accountancy Act, including with regard to sustainable development and the related ecological, social and government issues, the human capital and the diversity policies in place, description of business development and products, corporate governance practices and ethical issues, as well as information on business model, products and development priorities – *for more information see also sections „Mission and development priorities", „Fibank profile", „Highlights 2021", „Distribituion channels", „Information technology", „Human capital", „Corporate governance statement", „Business review", „Business review of subsidiary companies", „Development priorities"*.

Human capital

First Investment Bank aims to ensure empoyees with favorable work environment, under tone of understanding.

In 2021, the Bank's human resources management activities continued to be focused on ensuring adequate response and overcoming the challenges posed by the COVID-19 pandemic. As early as 2021, Fibank provided its employees with a "green corridor" for vaccination against COVID-19, becoming one of the first employers in the country to do so in order to protect their health and create a safe and secure working environment.

An important element of the human capital management activity during the year was coordinating the implementation of the Bank's protocol for action in a COVID-19 pandemic and its updating in line with the changing situation. A Plan for assessment of the epidemic situation and taking anti-epidemic measures was developed and put into practice, with appropriate steps and actions depending on the number of cases. In support of employees, activities were carried out for timely communication of guidelines and rules for implementing the anti-epidemic measures while at the same time maintaining the efficiency of work. Initiatives to protect employees' health also included constant communication with state and local health authorities. Where needed, employees were assisted in their access to medical services and testing.

In 2021, projects and initiatives in other important areas of human capital management at Fibank were also carried out. A project for introduction of a new HR system was successfully completed. The aim of the project was to achieve higher efficiency in performing key processes and activities of human capital management. The new system can be upgraded with modules for management of remuneration and benefits, selection, work performance and training.

During the period, **significant training initiatives and projects** were carried out having long-term impact on the motivation and performance of employees and teams in the Bank, including:

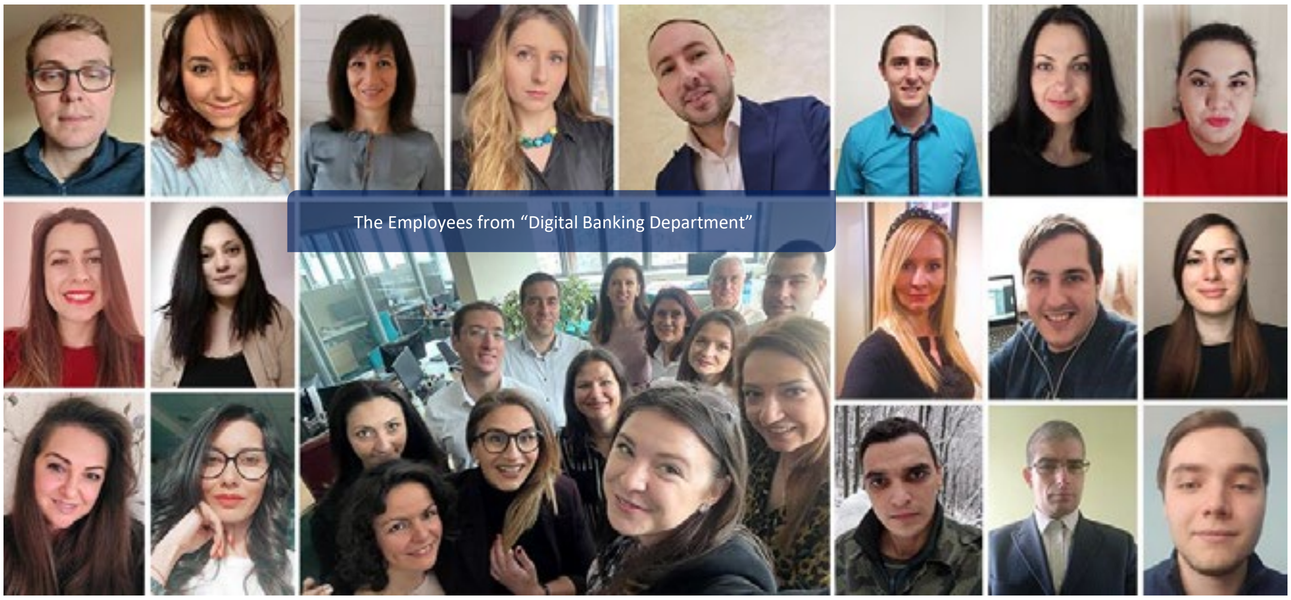
- Training in **Development of customer interaction skills: advice, sales and customer service** – practically oriented training for front office employees and loan officers, with an emphasis on the development of skills for successful and proactive customer-oriented communication when offering and selling products. The program relied on an interactive approach when presenting the information such as role-playing games, use of video aids, involvement of employees in discussions and sharing successful experiences.
- **Training in Fibank investment products** –developing sales skills for products and solutions tailored to customer needs in the branch network of Fibank, in line with current trends and challenges in the banking sector.
- **Shifting the training process focus to e-learning** in connection with the anti-epidemic measures applied for preservation of the health of employees. During the year, more than 1,600 employees participated in e-learning in various fields including retail loan products, insurance products, remote banking, new system for retail loan approval, introductory training for new employees, and information security.
- **Introductory trainings for new employees** are held on a regular basis, covering all the main topics necessary for acquaintance with the work environment and the Bank's activities including corporate governance, ethical requirements and code of conduct, internal control functions (risk management, compliance and internal audit), anti-money laundering/combating the financing of terrorism (AML/CFT) measures, systems and business activities.

In 2021, over 65% of Fibank employees enrolled for various forms of training in one or more areas. The Bank continued to invest in the professional development of its staff by financing the participation of 11 employees in **the Banking Management and Investment Activity master's program** carried out jointly with the Higher School of Insurance and Finance (HSIF).

During the year, the consistent efforts continued for **encouraging positive examples of productive and achievement-oriented work behavior.** For the sixth consecutive year, the **Together We Can Do More** program was held, serving as an inspiring and motivating boost to employees of the Bank. At the end of the year, the number of employees awarded for the entire existence of the program reached 135.

Fibank
Заедно можем повече

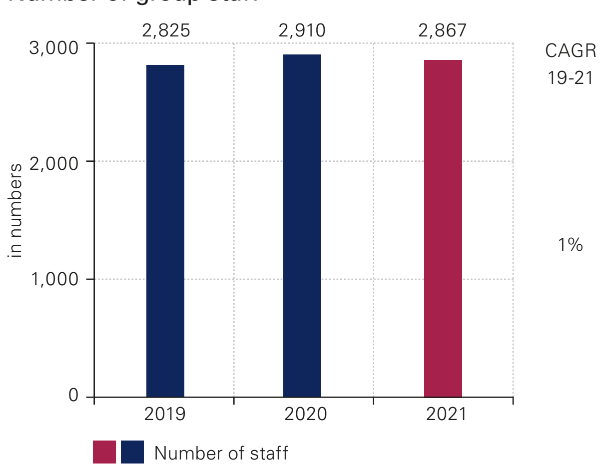
Among the winners in development programmes of the Bank


The Employees from “Digital Banking Department”

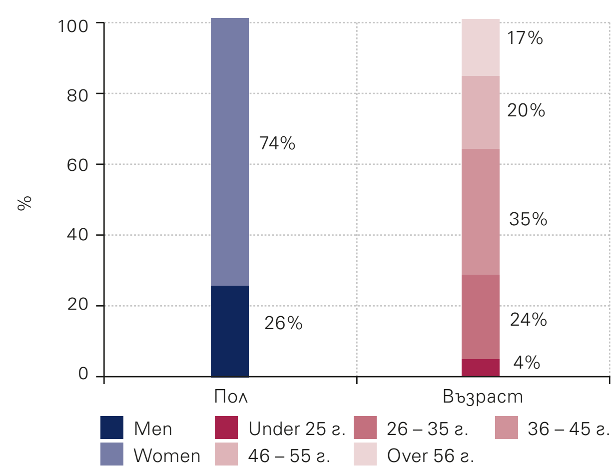

as well as from left to right: Lyudmila Zhitarska, chief specialist, Call center, office Pleven; Nadezhda Echkova, Specialist, Branch Network Department; Keta Ivanova, employee – customer service, office “Kiril I Metodii”, branch Burgas; Krasimira Stoyanova, specialist “Financial products for individuals”, office Dragan Tsankov; Polia Velkovska, senior bank employee customer service, office Central, Vratsa’; Desislava Stoimenova, bank employee customer service , office “Mall paradise”; Slavi Georgiev, specialist company loans, office – central, Haskovo; Elena Milcheva, bank employee customer service, office Yambol; Rosen Iliev, senior specialist “SME customer relationship management”, ”Retail banking”

As of 31.12.2021 the number of staff of First Investment Bank on a consolidated basis amounted to 2867 employees compared to 2910 a year earlier. At the end of the year, 28% of the Bank’s staff were employees at the age of up to 35 years, and the share of those up to 45 years was 63% of the total staff.

Number of group staff



Structure of staff



The majority of the Bank’s employees are women (74%), and the share for those with managerial functions (directors of departments, branch managers, managers of specialized units) was 46%.

Policy for nomination and suitability assessment

In 2021, First Investment Bank continued to further develop its Policy for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions, mainly in terms of its practical implementation, incl. developing internal tools, questionnaires and matrices for individual and collective suitability assessment, as well as in the initial suitability assessment (in case of appointment of new members / persons) and in the subsequent suitability assessment, which is carried out regularly, not less than once a year. The internal framework in this sphere is in line with the requirements and good practices, incl. the Law on Credit Institutions, Ordinance No 20 of the BNB on Issuance of Approvals to Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Performance Requirements for Their Duties and the joint EBA and ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders.

The Policy sets out the basic requirements, principles, guidelines and criteria for selection and assessing the individual and collective suitability of members of the bodies of First Investment Bank who have management and supervisory functions, as well as with regards to the key function holders within the Bank. The Policy structures and identifies the essential fit and proper requirements and criteria (incl. with respect to needed knowledge, skills and experience; reputation, honesty and integrity; independence and allocation of enough time for performing of duties; as well as the practices for encouraging diversity, succession planning and training), so that they to a maximum extent meet the high standards applied by the Bank with a view to making an adequate contribution to the realization of its objectives and strategy.

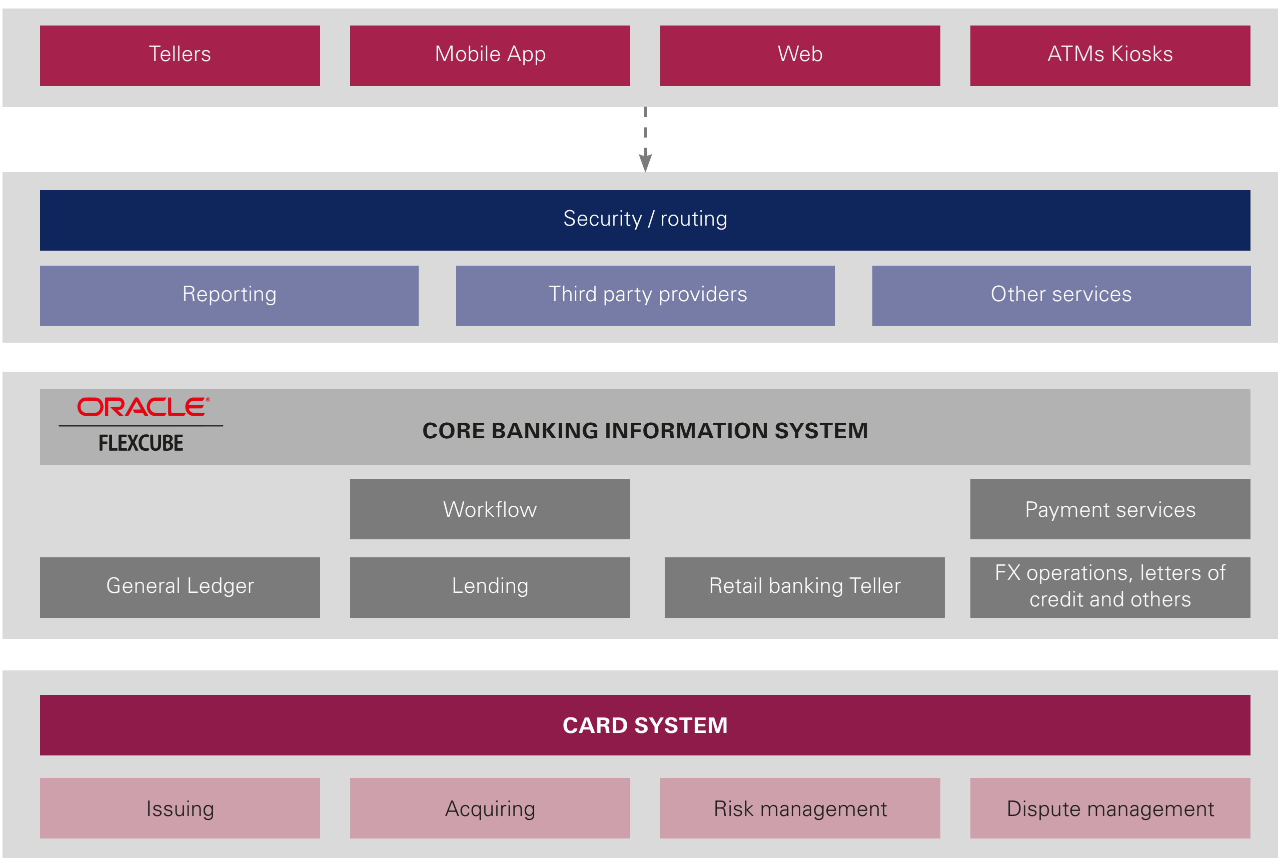
The Bank applies a policy for encouraging diversity with respect to Supervisory Board and Managing Board in order to maintain a diverse group of board members and to provide diverse views and experience to facilitate independent opinions/decisions and sound governance, which includes various aspects such as work experience, educational qualifications, gender, age, geographical diversity. With respect to the composition of the bodies, the Bank seeks to maintain a target level of 30% of the members of the Supervisory Board and of the Managing Board to be from the underrepresented gender, as if necessary rounding off (down) to an integer. As of 31 December 2021, the Bank fulfilled the set target in the policy. *For further information regarding diversity, see sections Supervisory Board and Managing Board.*

Information technology

Developing information technology and maintaining a modern infrastructure, information and technology environment is among First Investment Bank's strategic priorities. Over the years, the Bank has systematically and consistently invested in technologies in line with the latest trends in banking, enabling it to offer innovative products and multifunctional solutions to customers.

In 2021, Fibank continued to develop in this direction, strengthening its position among the most technological and innovative institutions in the Bulgarian banking market. During the year, numerous projects related to the improvement and development of the Bank's IT assets and infrastructure were successfully completed. A new Dell EMC VxRail hyper-converged appliance was installed and related services migrated to it. A new all-flash array (AFA) storage infrastructure was put into operation to ensure greater efficiency and security. The systems managing the IP communication and the contact center of the Bank were updated, as well as the data control system. In terms of networking, the configuration of the Oracle ExaData Database machine X7-8 was expanded during the period.

Systems map



The Bank uses Oracle Flexcube version 12 for its core banking information system. It features universal modules for retail banking, corporate and investment banking, and an integrated workflow document information system used for processing and approval of loan applications, acceptance and registration of currency transfers and authorization of other payment transactions. The system is built in compliance with all risk control principles, including the four eyes principle applied in day-to-day operations. Through its centralized and integrated IT infrastructure, the Bank aims to provide first-class service and high level of security in the execution of banking transactions, as well as to maintain reliable databases, networks and systems ensuring continuity of services and key processes.

In December 2021, the first phase of the implementation of a new credit process management system (Business Process Management/New Workflow) was successfully completed. It covers the activities of acceptance of applications, approval, granting and renegotiation of loans to individuals, with the corresponding limits and levels of authority.

In implementation of the projects for branch digitalization and modernization of services offered to customers, the pilot phase of a project for electronic signing of documents at the offices of the Bank started during the period.

With regard to payment services, Fibank was among the first banks in the country to meet the criteria and receive certification from BORICA AD to join the Blink scheme for instant payments in BGN, as well as for bulk payments. The work continued for joining the Continuous Gross Settlement (CGS) mechanism of the STEP2-T system operated by EBA Clearing. A higher security standard (EMV v.2) was introduced for electronic payments over the Internet.

During the year, technical support was provided for upgrading existing services and functionalities and launching new ones: payments with smart devices using digital wallets of third party providers; payments with smart watches using the Fitbit Pay service; offering the new MyCard virtual credit card; launching the Gold Account, an innovative product for purchase, sale and keeping of dematerialized gold (XAO); providing the option to remotely apply for mortgage loans through the My Fibank mobile application.

Taking into consideration the importance attached by the Bank to information technology, the activity is managed by Chief Information Technology and Operations Officer. In addition, there is an IT committee functioning as an auxiliary body to the Management Board. It monitors the IT strategic program implementation, the IT project portfolio, the targeted use of resources and the spending of the approved budget. The committee is chaired by the Chief Executive Officer, the remaining members including the Chief Retail Banking Officer, the Chief Information Technology and Operations Officer, as well as the directors of the Information Technology, Information Security, Digital Banking, SME Banking, and Finance departments.

We place a priority
on innovation and green projects

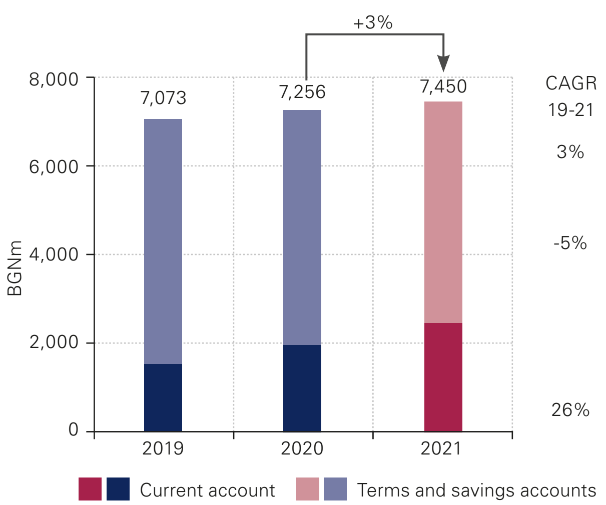
Business review

Retail banking

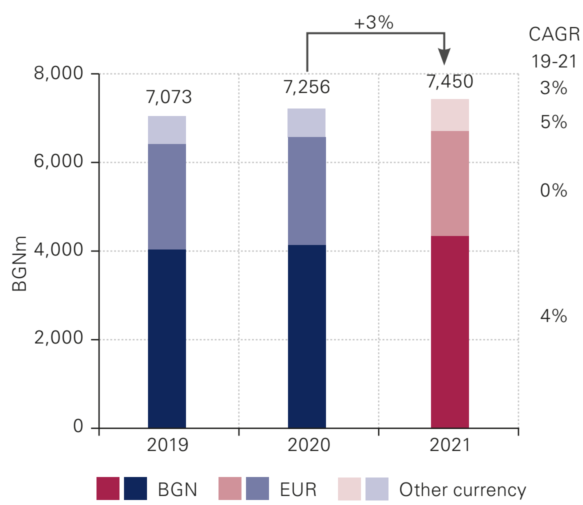
Deposits

In 2021, attracted funds from individuals increased and reached BGN 7,450,167 thousand compared to BGN 7,255,775 thousand a year earlier, mainly driven by the 26.0% increase in current accounts which reached BGN 2,478,823 thousand (2020: BGN 1,967,574 thousand). Such results were determined by the consistent policy of the Bank for establishing long-term customer relationships, while developing cross-selling and transaction business.

Deposits to individuals



Deposits to individuals by currency



Fibank offers a wide range of current accounts, including the IQ current account, as well as accounts tailored to the specific needs of certain customer groups such as condominiums, notaries, insurance brokers and agents, private enforcement agents, etc. The Bank offers also banking packets and programs, inlc. My Choice, My Choice Online, Digital Me, Digital Me+. In order to expand opportunities for customers in 2021, the Bank developed the Gold Account , an innovative product for purchase, sale and keeping of dematerialized gold (XAO).

The Bank's policy is aimed at building a stable deposit base by offering a variety of flexible deposit products, while maintaining high standards of customer service. In 2021, Fibank maintained the interest rates on its savings products in line with the market conditions and the competitive environment, as well as the high liquidity levels.

In 2021 г. Fibank launched a new deposit product – the For Me deposit featuring different terms (3, 6, 12 months) and currencies. It is automatically closed upon expiry of the term and interest is paid to the customer's current account.

By the end of the year, term deposits and savings accounts were in the amount of BGN 4,971,344 thousand (2020: BGN 5,288,201 thousand), with borrowings from individuals retaining a major share at 66.7% (2020: 72.9%). With a view to diversifying its sources of funds, the Bank participates in the international platform WeltSparen by Raisin aimed at attracting deposits from foreign persons.

In terms of attracted funds from individuals First Investment Bank was placed fifth among banks in the country as at the end of December 2021 (2020: third). As at the same date the market share of the Bank amounted to 10.27% on an individual basis (2020: 10.98%).

As an alternative to deposit products in a low interest rate environment, new products were developed during the year for retail and business customers: the Gold Portfolio and the Eco Portfolio, linked respectfully to the price of gold and to green bonds.

Loans

The gross loan portfolio of households increased with 10.6% to BGN 2,398,011 thousand compared to BGN 2,167,277 thousand for the previous year, as a result of an increase in consumer and mortgage product lines.

BGN th / % of total	2021	%	2020	%	2019	%
Consumer loans	1,074,443	44.8	972,496	44.9	901,057	44.2
Mortgage loans	1,153,425	48.1	1,009,903	46.6	936,102	46.0
Credit cards	167,126	7.0	179,780	8.3	194,464	9.5
Other programs and secured financings	3,017	0.1	5,098	0.3	5,098	0.3
Total loans to individuals	**2,398,011**	**100**	**2,167,277**	**100**	**2,036,721**	**100**

In 2021, the Bank introduced a new advanced Business Process Management (BPM) system for processing retail loan applications (New Workflow). It covers the steps of accepting loan applications, giving opinions, approving and granting new loans to individuals, as well as renegotiating the terms of existing ones, with integrated limits and levels of authority for granting/renegotiating different types of loans exposures.

Consumer loans

Consumer loans increased by 10.5% to BGN 1 074,443 thousand (2020: BGN 972,496 thousand), contributors being the competitive terms offered by the Bank, the easy loan application procedure and the development of new products and programs, including seasonal offerings, in line with customer needs and market necessities.

During the year, First Investment Bank continued to be among the most active banks under the Program for guaranteeing interest-free loans to protect people deprived of the opportunity to work due to the COVID-19 pandemic organized by the Bulgarian Development Bank, having signed additional agreements to increase the limits and the portfolio of loans under the program.

As part of the Bank's strategy for development and digitalization of services, developed to further facilitate customers and promote sustainable environmental development, consumer loans were offered fully online, with remote signing of documents using a specialized encoding device (software/hardware token) or a qualified electronic signature via the mobile app of a third-party certification service provider.

Taking into account the developing needs of customers and the increased demand for online services, during the period a video consultation service on credit products for individuals was launched, available at the corporate website www.fibank.bg, as well as via My Fibank digital banking or My Fibank mobile app.

First Investment Bank's market share in this segment amounted to 8.56% (2020: 8.63%) at the end of December 2021, and Fibank was fifth (2020: fifth) in terms of consumer loans among banks in the country on an individual basis.

Credit cards

The utilized limits on credit cards were in the amount of BGN 167,126 thousand at the end of the period (2020: BGN 179,780 thousand). Fibank develops various and innovative card products and services, including thematic campaigns to promote and attract new customers, which were organized in implementation of the Bank's consistent and long-term policy for stimulating these non-cash payments. The relative share of loans utilized through credit cards in the total loan portfolio to individuals of the Group amounted to 7.0% (2020: 8.3%).

There were new card products and promotional offers during the year, including the new MyCard virtual credit with a pre-approved credit limit, issued entirely online through the My Fibank mobile app.

In pursuance of its strategic plans, the Bank continued to develop its operations with a view to more effective management of the customer portfolio and targeting individual customer groups, as well as identifying additional cross-selling opportunities. *For further information see section „Card payments".*

Mortgage loans

As at the end of December 2021, mortgage loans increased by 14.2% to BGN 1,153,425 thousand compared to BGN 1,009,903 thousand a year earlier, forming a 48.1% share in the portfolio of loans to households of the Group (2020: 46.6%). As at 31

December 2021, the market share of the Bank in this segment was 6.37% (2020: 6.68%), as Fibank was placed sixth among banks in the country on an individual basis (2020: sixth).

In pursuance of its strategy for development of the retail banking segment, Fibank continued to offer mortgages on competitive terms, as well as to organize promotional campaigns aimed at stimulating sales. To further facilitate customers and digitalize services, the option for remote submission of mortgage loan applications was provided through the My Fibank mobile app.

Fibank will put efforts for additional development of its distributional channels for its credit products and will continue to develop and offer flexible credit products for individuals with the aim at attracting new clients and offering supplementary products and services.

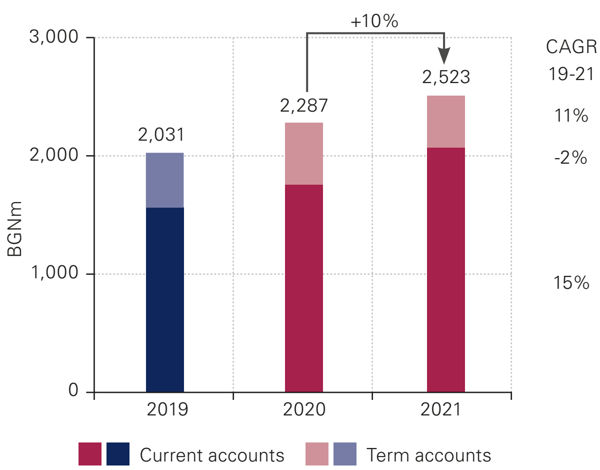
For more information on the mortgage loan portfolio of First Investment Bank – Albania Sh.a. see section "Business review of the subsidiary companies".

Corporate banking

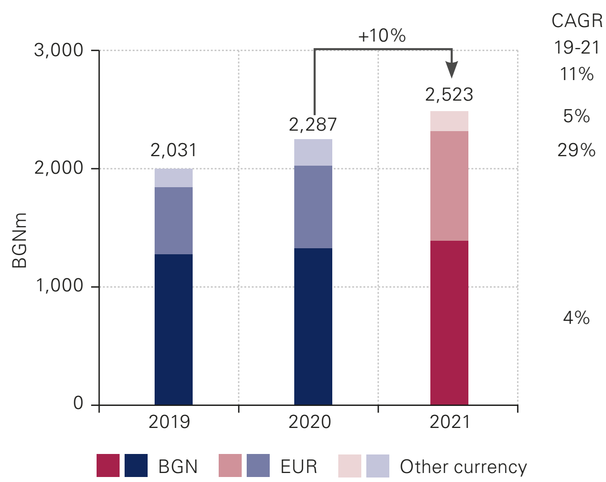
Deposits

Attracted funds from corporates and institutions in 2021 increased with 10.4% to BGN 2,523,464 thousand (2020: BGN 2,286,501 thousand). The increase in volume reflected mainly in the current accounts reaching BGN 2,074,799 thousand at the end of 2021 (2020: BGN 1,757,737 thousand) and forming 82.2% of the attracted funds from business customers and institutions of the Group (2020: 76.9%).

Deposits from business customers



Deposits from business customers by currency



Term accounts reached BGN 448,665 thousand (2020: 528,764 thousand) at the end of the period, forming 17.8% of the attracted funds from corporates and institutions of the Group (2020: 23.1%). First Investment Bank offers a variety of deposit and savings accounts, and package programs for business customers which constantly adapt to market conditions and specific company requirements.

In 2021, new deposit products were developed in order to expand opportunities for business and retail customers, including innovative accounts and products tied to the price of gold or to a portfolio of green bonds.

As at 31 December 2021, funds attracted by the thirty biggest non-banking clients represented 7.40% of the total amount due to other customers (2020: 5.88%).

Loans

Corporate lending

The portfolio of loans to corporates of the Group increased with 1.4% to BGN 4,735,700 thousand at the end of 2021, compared to BGN 4,669,922 thousand a year earlier as result of increasing the share of micro, small and medium-sized portfolios[11], based on the bank's consistent policy for priority development in these segments. Microenterprises increased their share to 11.0% (2020: 7.5%) of all business loans, small enterprises to 12.5% (2020: 12.1%), medium-sized enterprise to 29.3% (2020: 24.5%) at the expense of large enterprises, which decreased to 47.2% (2020: 55.9%) of all business loans.

BGN th / % of total	2021	%	2020	%	2019	%
Micro enterprises	519,600	11.0	350,200	7.5	324,700	7.2
Small enterprises	594,327	12.5	564,876	12.1	542,875	12.1
Medium-sized enterprises	1,385,398	29.3	1,144,173	24.5	1,189,054	26.5
Large enterprises	2,236,375	47.2	2,610,673	55.9	2,434,081	54.2
Total loans to enterprises	**4,735,700**	**100**	**4,669,922**	**100**	**4,490,710**	**100**

First Investment Bank provides various financing for business clients, including under the form of working capital loans, investment loans, guarantees, financing under the programs and funds of the EU, under the National Guaranteed Fund, factoring services and others.

In 2021 the Bank applied the Procedure for Deferral and Settlement of Liabilities Payable to Banks and their Subsidiaries - Financial Institutions in connection with COVID-19 (private moratorium), developed by the Association of Banks in Bulgaria (ABB) and approved by the BNB, in accordance with the terms and conditions of its operation.

During the period additional agreements were signed under the Recovery Program of the Bulgarian Development Bank for portfolio guarantees in support of the liquidity of enterprises affected by the COVID-19 pandemic, expanding the scope of the program and prolonging its term. For more information see section „Europrograms".

The Bank continued to offer factoring services to existing and potential business customers, including companies delivering of goods or providing services with deferred payment in the country or abroad. First Investment Bank is a member of Factors Chain International (FCI), a global network of leading commercial finance companies and can provide export factoring without recourse, as well as import factoring.

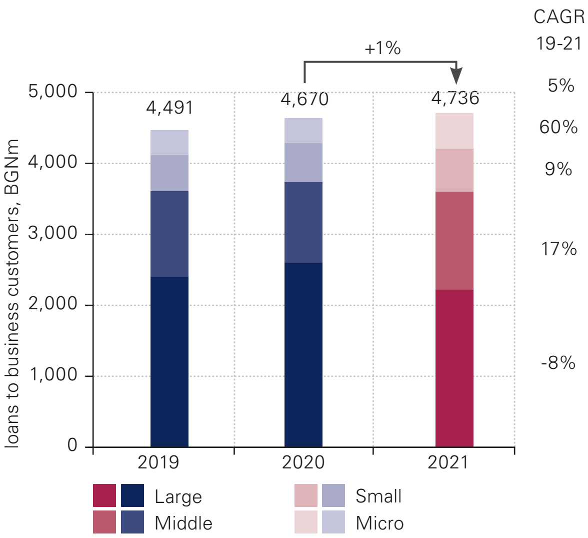
The Bank also maintains co-operation with leading factoring insurance companies in the area of commercial finance First Investment Bank has signed to the framework agreement with the Taiwan export insurance agency Eximbank Taiwan for financing deliveries of goods from Taiwanese suppliers to customers of First Investment Bank in Bulgaria or abroad.

The market share of Fibank at the end of December 2021 amounted to 10.84% of loans to corporates in the banking system (2020: 11.52%), Fibank retained its fourth place (2020: fourth) among banks in the country on an individual basis.

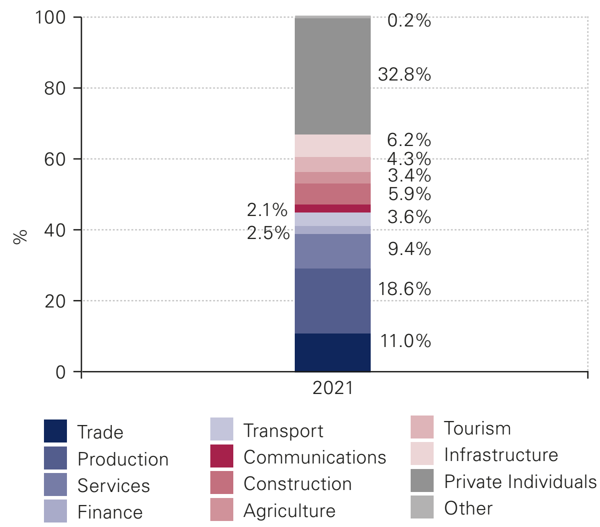
As at 31.12.2021, loans to the manufacturing sector had a leading share in the portfolio structure of the Group (2021: BGN 1,325,019 thousand, 2020: BGN 1,308,787 thousand), followed by the trade sector (2021: BGN 784,314 thousand, 2020: BGN 847,347 thousand,) and the services sector (2021: BGN 668,753 thousand; 2020: BGN 847,347 thousand), forming respectively 18.6%, 11.0% and 9.4% of total loans (2020: 19.1%, 12.4% and 10.9%). Such dynamics reflected the positive trends of economic activity in the country and the consequences of the COVID-19 crises in different areas and in line with the Bank's development goals and diversification of activity.

11 According to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises determined on the basis of annual turnover as follows: microenterprises - up to BGN 3.9 million; small enterprises - up to BGN 19.5 million; medium-sized enterprises - up to BGN 97.5 million.

Business loan portfolio



Portfolio breakdown by sector



Loans in agriculture increased to BGN 243,141 thousand at the end of the year (2020: BGN 185,157 thousand) In accordance with the its consistent policy for agricultural producers support, incl. partisipation in specific programs for rural development,EU-funded. An increase was also reported in the sectors of construction, up to BGN 421,176 thousand (2020: BGN 387,563 thousand), tourism, which reached 2021: BGN 307,981 thousand; 2020: BGN 285411 thousand), transport (2021: BGN 257,355 thousand; 2020: BGN 236,908 thousand), infrastructure (2021: BGN 444,456 thousand; 2020: BGN 425,845 thousand) and the finance (2021: 179,548; 2020: 122,506).

During the period, the Bank affirmed its cooperation with the Bulgarian Export Insurance Agency (BAEZ), by continuing its activity on the agreement for portfolio insurance with the agency, used as part of the techniques for mitigating credit risk.

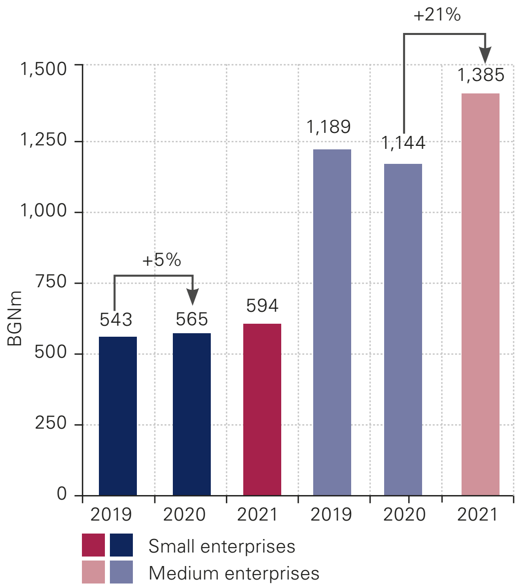
SME banking

In 2021, loans to small and medium enterprises[12] increased by 15.8% and amounted to BGN 1,979,725 thousand (2020: BGN 1,709,049 thousand) or 41.8% of the business loans of the Group, from which to small enterprises were BGN 594,327 thousand (2020: BGN 564,876 thousand), and loans to medium-sized enterprises BGN 1,385,398 thousand (2020: BGN 1,144,173 thousand). For the bank's policy on this segment contributed the developed loan products and competitive terms offered in the products for SME clients, as well as the various solutions related to the programs and funds of the EU and the other guarantee schemes and financing.

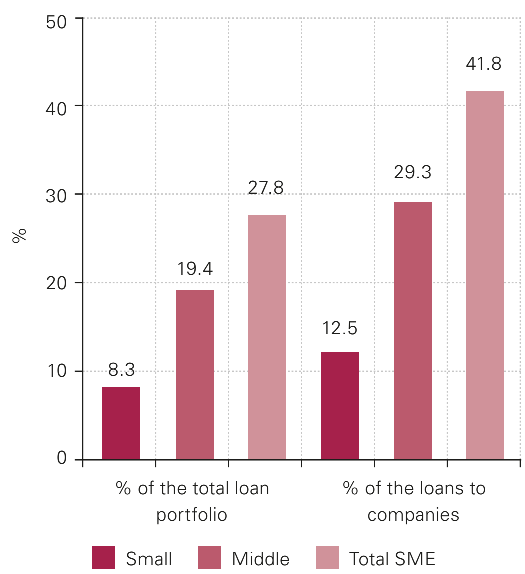
In 2021, Fibank provided loans under the Recovery Program of the Bulgarian Development Bank for portfolio guarantees in support of the liquidity of micro, small and medium-sized enterprises affected by the emergency situation and the COVID-19 epidemic. The instrument mainly included working capital loans for payment of salaries, leases, administrative costs and covering of other liquidity needs directly related to business activity, with a maximum loan amount of BGN 3 million and maximum term of 6 years.

12 Enterprises with annual income of sales regarding the EU criteria as follows: small enterprises (between BGN 3.9-19.5 million) and medium-sized enterprises (between BGN 19.5-97.5 million).

Loans to small and medium enterprises



Share of loans to sme in the loan portfolio in 2021



The activity continued under the signed agreement with the Fund Manager of Financial Instruments in Bulgaria EAD for the financial instrument Loss-capped portfolio guarantee to overcome the effects of COVID-19, which was transformed during the year into the Recovery Program. The financial instrument provides relief in terms of collateral requirements and/or pricing of loans for micro, small or medium-sized enterprises, including interest rate subsidy under certain conditions. Enterprises may apply for investment or working capital loans with a grace period of up to 1 year, maximum term of 7 years, and amount up to 70% of the applicant's annual income but not exceeding BGN 3 million. *For more information see section „Europrograms".*

In November 2021, Fibank signed a new agreement with the Fund Manager of Financial Instruments in Bulgaria for financing of small and medium enterprises under the Rural Development Program 2014-2020. The financial instrument aims to provide loans on more favorable terms for beneficiaries in order to increase the competitiveness of the agricultural sector and stimulate investment in rural areas. It includes investment and working capital loans, with maximum amount of investment loans up to BGN 2 million with an option for additional working capital financing up to 30% of the total investment but not exceeding BGN 391,166 (EUR 200 thousand) and a repayment period of up to 10 years.

For SME financing, First Investment Bank maintains cooperation with other institutions, including the National Agricultural Fund and the Bulgarian Export Insurance Agency. Throughout the year, the Bank increased its efforts in offering factoring services to Bulgarian companies as an alternative to working capital loans.

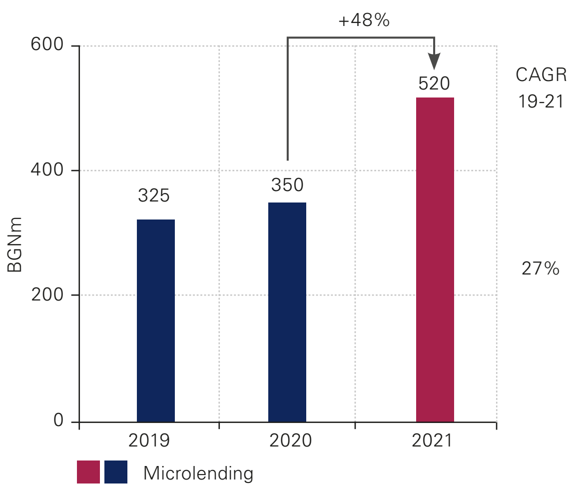
During the year Fibank developed and launched new credit products in the field of sustainable financing: Green Transport, intended for the purchase of new electric vehicles by business customers; Green Energy - Free Market for companies wishing to invest in the construction of photovoltaic systems for electricity production for free market sale; and Green Energy - Own Use for construction of photovoltaic systems generating electricity for own consumption or for sale. The new credit products are in implementation of the Bank's policy for reducing the carbon footprint and investing in sustainable development. For more information see section „Sustainable development".

For more information on the SME loan portfolio of First Investment Bank – Albania Sh.a. see section "Business review of the subsidiary companies".

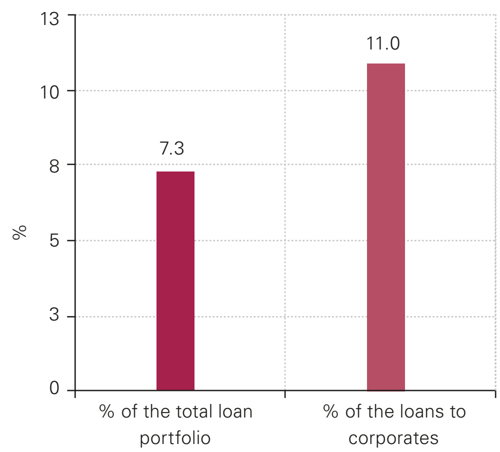
Microlending

In 2021, the microlending portfolio of the Group grew up to BGN 519,600 thousand compared to BGN 350,200 thousand a year earlier. The Bank continued its targeted efforts for development with priority in this segment.

Microlending



Share of microenterprises in the loan portfolio in 2021



The Microlending Program[13] of First Investment Bank covers a wide range of retailers, manufacturers, farmers, freelancers, including start-ups and companies with less market experience. The Bank offers specialized products for microenterprises including investment loans, working capital loans, business credit cards and overdraft facilities at competitive terms

In 2021, among the highlights of microlending activities was the provision of investment and working capital loans at more favorable terms under the Microcredit with Shared Risk program funded by the Human Resource Development Operational Program (HRDOP) and co-financed by the European Social Fund and the Youth Employment Initiative. The instrument is in support of start-ups and businesses that develop social activities or offer services generating positive social impact.

During the year, offering of loans to micro-enterprises continued under the recovery programs of the Bulgarian Development Bank and the Fund Manager of Financial Instruments in Bulgaria in support of enterprises affected by the COVID-19 pandemic.

First Investment Bank has an active Smart Lady program which is constantly evolving. It is mainly targeted at micro enterprises run or owned by women, as well as at businesses whose products and/or services are designed for women. So far the program has funded projects worth over BGN 85 million. During the period, as a joint initiative with Mastercard, a Sustainable Lady Fund was established in support of innovative green projects of women entrepreneurs. In the field of sustainable development, new credit products for businesses were also offered to finance investment in electric vehicles and photovoltaic systems. *For more information see section „Sustainable development“.*

The Bank continued to support agricultural producers, offered tailored financing solutions to individual sectors or business areas with high development potential, incl., IT companies, medical and dental practices.

13 Enterprises with annual turnover/income of sales up to BGN 3.9 million regarding the EU criteria for segmentation of customers.

Europrograms

Fibank offers a wide range of services related to the utilization of funds under EU operational programs, including investment loans for overall project implementation, bridge financing up to the amount of the approved financial assistance, issuance of bank guarantees to secure advance payments of approved financial assistance, and other banking products specifically tailored to the needs of customers.

With regard to external programs, in 2021 First Investment Bank focused its efforts on participation in various guarantee schemes and programs organized in support of businesses and individuals affected by the COVID-19 pandemic and its consequences, as well as on other specialized instruments with social impact, e.g. for financing in rural areas.

During the year, First Investment Bank successfully participated in the Program for guaranteeing interest-free loans to protect people deprived of the opportunity to work due to the COVID-19 pandemic, a program organized by the Bulgarian Development Bank. Fibank has been among the most active banks under this program, having provided the full amount of loans and three times increased the limit by annexing its agreement with the BDB.

Also fully utilized by the Bank was the loss-capped portfolio guarantee to overcome the effects from the COVID-19 under the Recovery Program of the Fund Manager of Financial Instruments in Bulgaria, financed under the Operational Program Innovations and Competitiveness 2014-2020 of the European Regional Development Fund. Loans provided under it were part of the Bank's consistent strategy to support businesses in overcoming the effects of the pandemic, including by repositioning and expanding the activities of beneficiaries, each loan being up to 80% secured by the fund.

Increased lending was also reported under the other Recovery Program of the Bulgarian Development Bank for portfolio guarantees in support of the liquidity of enterprises affected by the COVID-19 pandemic. Additional agreements were signed during the year expanding the scope of the program, including with regard to eligible enterprises, maximum term and amount of loans.

In November 2021, Fibank won three competitive procedures and signed agreements for three separate positions in implementation of the Financing in Rural Areas instrument under the Rural Development Program 2014-2020. First Investment Bank is the sole contractor under the instrument with a total loan amount of over BGN 70 million, aiming to increase investment in rural areas. Loans are provided for agricultural and non-agricultural activities in rural areas to increase the competitiveness of the agricultural sector, as well as to promote social inclusion and support for sustainable development of agricultural holdings.

During the year, Fibank also implemented a program in support of start-ups, social enterprises and entrepreneurship among vulnerable groups under the Microcredit with Shared Risk instrument of the Fund Manager of Financial Instruments in Bulgaria, funded by the Human Resource Development Operational Program.

Payment services

In 2021 First Investment Bank was a member and participant in payment systems and agent of other payment service providers, as follows:

- Bank Integrated System for Electronic Transactions (BISERA);
- Real-Time Gross Settlement System (RINGS);
- System for Servicing of Clients Transfers in Euro (BISERA7-EUR);
- Trans-European Automated Real-Time Gross Settlement Express Transfer system (TARGET2);
- Pan-European system for payments in Euro (STEP2 SEPA Credit Transfer), as a direct participant through EBA Clearing;
- Bank Organisation for Payments Initiated by Cards (BORICA);

- Agent of Western Union;
- Agent of Easypay.

The pandemic of COVID-19 accelerated the migration towards e-payments, as the shares of transfers via the digital channels (e-banking and mobile banking) increased to approximately 80% of all outgoing transfers of the Bank (2020: 75%; 2019: 67%).

During the year First Investment Bank was among the pilot banks to join the Blink scheme for instant payments (up to 10 seconds) in BGN operated by BORICA AD. The new service which the Bank launched after the reporting period, in January 2022, is available through My Fibank digital banking and can be used for making BGN transfers in the amount of up to BGN 30,000. *For more information see section „Subsequent events".*

Open banking

Since 2019 First Investment Bank has been developing its "Open Banking" related services deriving from the Law on Payment Services and Payment Systems (LPSPS) and Ordinance No 3 of BNB, implementing the requirements of Directive (EU) 2015/2366 for the payment services within the internal market (PSD2).

The Bank maintains test and production environment, providing opportunity for testing the access to the special interface (API), as well as providing by the Third Party Providers (TPPs) of the Payment Initiation and Account Access Information services. Focus on providing wider awareness for the customers an actual Terms for Access and Use of First Investment Bank's API Portal is being maintained, as well as General Terms and Conditions for securing access for Third Party Providers to accounts of customers held in Fibank.

Aiming to expand and integrate the services offered to clients, First Investment Bank provides the usage of the PSD2 services account information and payment initiation through the Mobile Application MyFibank. This option secures quickness and convenience for clients when they want to have access to consolidated information for their account serviced at another payment service provider or when they want to initiate payment from such accounts.

Card payments

In 2021, First Investment Bank developed its card business in line with customer needs, modern technologies and digitization processes, as well as in compliance with the regulatory requirements, aiming to increase the security of card transactions.

During the year, the Bank introduced the latest version of the EMV 3DS2 protocol for ensuring secure card payments over the Internet, thus continuing its focus on strengthening the security of online payments, including as regards the requirements for strong customer authentication (SCA). Fibank applies different payment confirmation methods depending on the individual preferences of customers, provided they meet regulatory requirements and mandatory elements. Those include the Fibank Token application, a combination of a static password and a dynamic password sent via SMS, or biometric verification (fingerprint/facial recognition) by a registered mobile device.

First Investment Bank continued to develop its services related to digitization of bank cards, expanding the range of third-party apps for which cards issued by the Bank can be digitized. In 2021, Fibank became the first bank in the country to offer innovative payments with smart watches through the Fitbit pay service. Its cards can also be used with the Google Pay digital wallet for making contactless POS payments in retail outlets, purchases in Android applications, or online transactions with merchants accepting such type of payments.

During the period, the Debit Mastercard Platinum was launched for the premium segment, offering a number of benefits including a virtual assistant application (AskPLEEZ!) and concierge services. A new virtual credit card was also offered named MyCard, with a pre-approved credit limit, issued entirely online through the My Fibank mobile app. It is designed for making payments over the Internet or other remote means of communication, including through mobile smart devices.

The Bank continued to develop the functionalities and quality of its ATM network, including by adding a contactless function to more ATM devices. Fibank was the first Bulgarian bank to build ATM terminals specially adapted for people of short stature five years ago. It continues to increase the number of such ATMs and support the annual activities of the national organization Little Bulgarian People.

The Bank's ATM network consisted of 621 devices the at the end of the year (2020: 649), and the POS network of 9,375 devices (2020: 8,694). Separately, the subsidiary bank in Albania maintains it own ATM network. *For more information on the card business of First Investment Bank – Albania Sh.a. see section "Business review of the subsidiary companies".*

International payments

First Investment Bank is among the leading banks in Bulgaria in the sphere of international payments and trade financing. Fibank is a popular, reliable and fair business partner which has built a good reputation over the years among international financial institutions and has gained valuable experience and know-how from its numerous international business partners, investors, customers, and counterparties.

In 2021, the Bank reported an increase of 11% in incoming and 25% in outgoing foreign currency transfers due to the conditions of the environment and the competitive conditions offered by the Bank, as well as the high quality of customer service.

First Investment Bank has a wide network of correspondent banks, through which it carries out international payments and trade financing operations in almost all parts of the world. The Bank executes cross-border currency transfers through SWIFT, and since September 2019 also through the platform SWIFT gpi (Global payment initiative) which improves the speed and the traceability of the cross-border transfers. Fibank executes transfers through the following payment systems as well: TARGET2 and BISERA7-EUR and since April 2017 the Bank executes credit transfers as a direct participant in the system STEP2 operated by EBA Clearing. Fibank operates in receiving and issuing of checks and performing various documentary transactions.

First Investment Bank continued working on the project for inclusion into the new payments organization – real time settlement Continuous Gross Settlement (CGS) in the STEP-2-T system, operated by EBA Clearing. A new working project for the new consolidated platform TARGET2.

The Bank has framework agreement with the Taiwan export insurance agency Eximbank Taiwan for financing deliveries of goods to clients of First Investment Bank in Bulgaria or other countries where the Bank has branches or subsidiaries. Under the agreement, Fibank can provide financing of the amount of every individual credit - up to 100% of the value of the contract but not exceeding USD 2 million, with a period of utilization up to 6 months after the first shipment and a repayment term of 6 months to 5 years irrespective of the type of the goods (consumer or non-consumer).

In support of its clients with international business First Investment Bank continued to cooperate in issuing internationally acknowledged guarantees and letters of credit, incl. through a wide network of partner banks and institutions. During the reporting period, the letters of credit and bank guarantees in foreign currency issued by the Bank to guarantee the performance of its customers to third parties amounted to BGN 74,449 thousand (2020: BGN 73,590 thousand), forming 8.8% of the off-balance sheet commitments of the Group (2020: 9.2%).

Gold and commemorative coins

In 2021, First Investment Bank celebrated 20 years since the beginning of its business with precious metal products and articles. Over the years it has established a leading position in the country in terms of transactions and investment advice in the area of precious metals.

For 2021, the revenues from sales of gold and precious metal products amounted to BGN 1356 thousand. An increase was reported in the number of realized transactions, due to growing investment interest and the dynamics in the gold price in the international markets in a pandemic situation and uncertainty in external environment.

First Investment Bank has offered its customers products of investment gold and other precious metals since 2001. Over the years, it has built successful cooperation with a number of leading financial institutions from around the world: the renowned Swiss refinery PAMP (Produits Artistiques de Métaux Précieux), the banks UBS and Credit Suisse, the New Zealand Mint, the National Bank of Mexico, the Austrian Mint, the British Royal Mint, and others.

Continuing the tradition, a new silver coin dedicated to the Year of the Water Tiger was launched, developed jointly with the New Zealand Mint. It is available exclusively in the offices of Fibank and in its online Gold & Silver store. Also offered were new gold and silver bars produced by the Swiss refinery PAMP and dedicated to the Lunar New Year.

In line with its long-term policy for supporting Bulgarian brand, Fibank by agreement with the Bulgarian National Bank, successfully distributed Bulgarian commemorative coins and coin sets issued by the central bank. The wide range of gold and silver items is presented both in Fibank branch network, as well as in Fibank Gold & Silver online store. In 2021, the interest to them increased, as new collectioners and investors were attracted as clients.

In carrying out transactions in gold and precious metals, First Investment Bank invariably complies with all quality criteria of the London Metal Exchange and international ethical trading standards.

Private banking

Fibank Частно банкиране

First Investment Bank has offered private banking to individuals since 2003, and to corporate clients since 2005. Private banking features servicing by a designated personal officer, who is responsible for the overall banking solutions provided to a customer.

In 2021 the Bank developed its private banking activity with a view to increasing the number of customers served in this segment, as well as to stimulating the growth of customer investment portfolio and the accompanying fee and commission income.

Among the highlights in private banking during the year continued to be the Personal Banking service, aimed at a subsegment of customers that meet certain minimum financial criteria. It is implemented through the branch network of First Investment Bank, enabling customers to benefit from a number of products and personalized services. Those include the Premium and Premium Plus package offers, featuring preferential terms for traditional banking products and services. In addition, at certain locations customers may use dedicated Personal Banking officers that provide fast and competent assistance in all banking transactions. For the year, Fibank reported a 156% growth of private banking customers served.

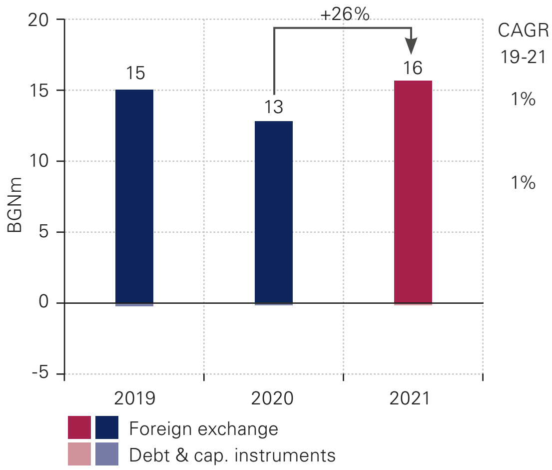
In the conditions of low interest rates and in order to provide greater choice to customers in diversifying their investments, the successful cooperation with FFBH Asset Management, E.I. Sturdza Strategic Management Limited and with Erste Asset Management, part of Erste Bank, Austria regarding the distribution of their mutual funds, as an alternative to standard forms of savings. In 2021, the total sales volume of the mutual funds offered by Fibank AD increased by nearly 34%.

Private banking customers also have the opportunity to take advantage of the trusted financial assets management service - a personalized financial strategy managed by professional portfolio managers with experience in international financial markets and a proven approach that can be adapted to the customer's financial condition and his personal preferences.

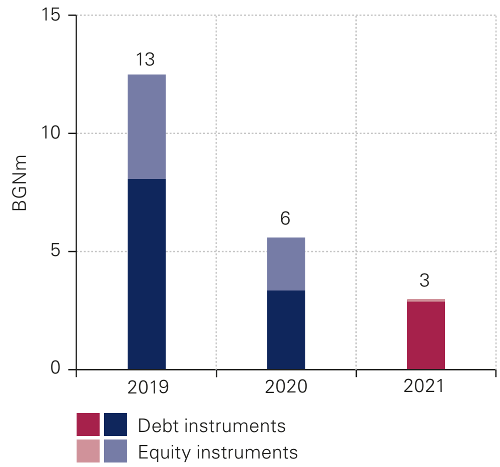
Capital markets

In 2021 net trading income of the Group amounted to BGN 15,742 thousand (2020: BGN 12,531 thousand), mainly as a result of the higher income from trade operations related to exchange rates. Other net operating incomes, arising from debt and capital instruments, amounted to BGN 2,968 thousand compared to BGN 5,705 thousand a year earlier.

Net trading income



Other operating income from debt and equity instruments



The securities portfolio at the end of the year amounted to BGN 1,673,781 thousand, compared to BGN 1,292,641 thousand a year earlier, of which BGN 1,088,904 thousand measured at fair value through other comprehensive income (2020: BGN 825,882), BGN 268,738 thousand measured at fair value through profit or loss (2020: BGN 266,929 thousand) and BGN 316,139 thousand measured at amortized cost (2020: BGN 199,830 thousand).

First Investment Bank applies the business model requirements and criteria for classifying financial assets in the Bank's portfolios according to IFRS 9. Depending on the purpose of financial asset management, those include: 1) a business model whose objective is to hold assets in order to collect the contractual cash flows (hold to collect); 2) a business model whose objective is to both collect contractual cash flows and sell of financial assets (hold to collect and sell); 3) another business model, where the purpose is different from the two above business models (other business model), where assets held for trading are also included.

The Bank's activity is organized in compliance with the regulatory requirements arising from the European legal framework in the field of financial markets – Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments, as well as in line with the Markets in Financial Instruments Act, the regulations within the scope of market abuses in financial instruments and the other applicable law.

In pursuance of the requirements arising from Regulation (EC) № 648/2012 of the European Parliament and of the Counsel on OTC derivatives, central counterparties and trade repositories (EMIR), the Bank has a Legal Entity Identifier (LEI) code 549300UY81ESCZJ0GR95, issued by the Global Markets Entity Identifier (GMEI) Utility.

In an effort to provide customers interested in trading financial instruments with quick and easy real-time access to trading platforms on regulated markets, First Investment Bank launched a new project for entering into agreements and placing orders for trading stocks and mutual funds fully online.

In its capacity as an investment intermediary and a primary dealer of government securities, First Investment Bank carries out transactions with financial instruments in the country and abroad including transactions in government securities, shares, corporate and municipal bonds, compensatory instruments as well as money market instruments. The Bank also offers trust portfolio management, investment consultation, as well as depositary and custodian services to private individuals and corporates, including maintaining registers of investment intermediaries, of accounts of securities, income payments and servicing payments under transactions in financial instruments. As part of the Compliance function, the Bank has a specialized unit "Compliance – Investment Services and Activities" which controls and ensures observance of the requirements related to Fibank's activity as an investment intermediary.

Orders for the subscription/redemption of units in four mutual funds (FIB Garant Mutual Fund, FIB Classic Mutual Fund, FIB Avangard Mutual Fund and FFBH Vostok Mutual Fund, managed by the Management company FFBH Asset Management AD) can be accepted in Fibank's offices which are registered with the Financial Supervision Commission. At these locations, distribution is also carried out of four mutual funds managed by Erste Asset Management (ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H).

Business review of the subsidiary companies

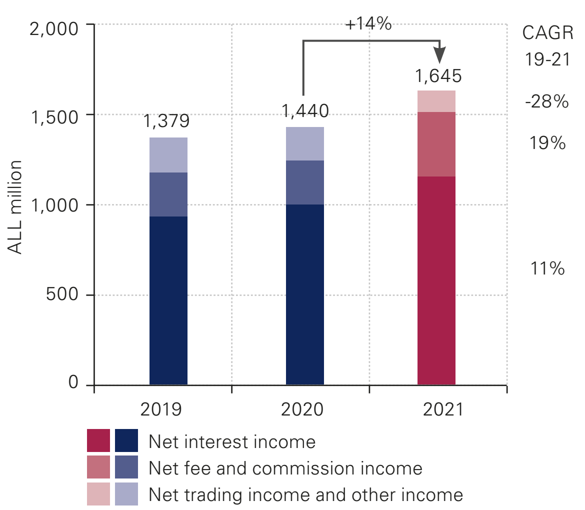
First Investment Bank – Albania Sh.a.

First Investment Bank – Albania Sh.a. (Fibank Albania) was granted a full banking license by the Bank of Albania in June 2007, and in September 2007 effectively took over the activities of the former Tirana branch of Fibank which had operated in the Albanian market since 1999, by assuming all its rights and obligations, assets and liabilities. Fibank Albania has also been licensed by the Albanian Financial Supervisory Authority for carrying out investment services and activities, including depository and custodian services. In 2021, its license was renewed in accordance with the new capital market requirements in the country (Law 62/2020 On Capital Markets).

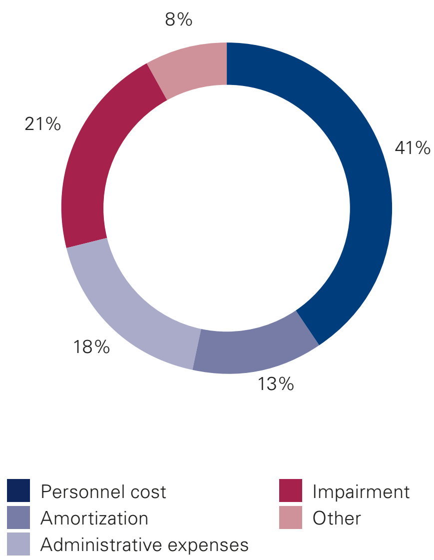
In line with its mission, First Investment Bank – Albania Sh.a. aims to be among the fastest growing banks in Albania, recognized as an innovative credit institution which offers first class service and exceptional products and services, provides excellent career opportunities to employees, and is socially responsible.

In 2021, First Investment Bank - Albania Sh.a. reported good financial results and sustainable development, notwithstanding the difficult business environment related to the spread and consequences of the COVID-19 pandemic. The Bank maintained sound liquidity and capital positions, reporting a 16.20% capital adequacy ratio at year-end (2020: 18.92%), the minimum required level being 12% according to the applicable regulatory requirements in the country.

Total income from banking operations



Operating expense



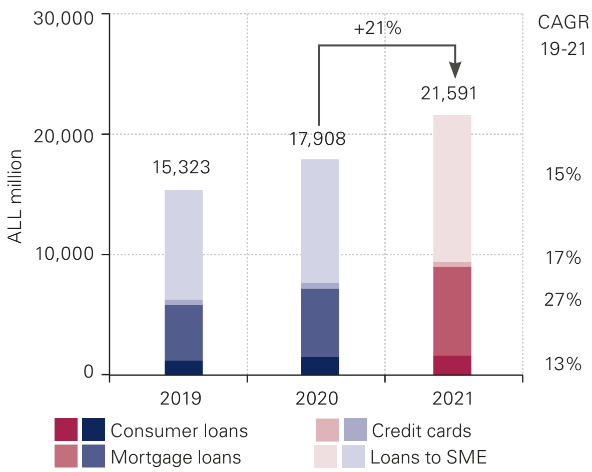
For 2021, First Investment Bank - Albania Sh.a. reported a net profit of ALL[14] 615,307 thousand compared to 375,204 thousand ALL a year earlier, the increase being mainly due to higher operating income and lower impairment charges, the latter amounting to ALL 191,924 thousand (2020: ALL 285,006 thousand). Operating income increased by 14.2%, reaching ALL 1,644,830 thousand (2020: ALL 1,439,728 thousand). Increase was reported in all major sources of income, including net interest income up to ALL 1,160,395 thousand (70.5% of total income), net fee and commission income up to ALL 346,233 thousand (21.0%) and net trading income up to ALL 19,947 thousand (1.2%). Other net operating income amounted to ALL 118,255 thousand for the year.

During the year, staff costs amounted to ALL 375,099 thousand compared to ALL 347,525 thousand for the previous year, reflecting the increased number of employees of the bank which by the end of 2021 reached 367 people (2020: 351). General

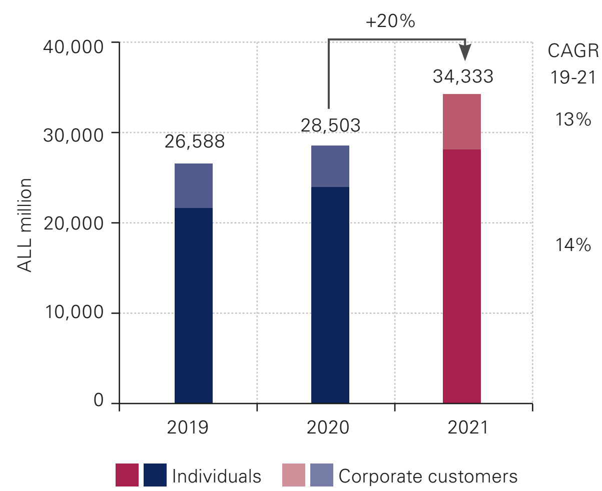
14 The official exchange rate of the Albanian lek against the euro at the end of 2021 was ALL 120.76 per euro, and the average for the year was ALL 122.37 per euro.

administrative costs amounted to ALL 162,299 thousand (2020: ALL 162,103 thousand) and depreciation costs to ALL 120,155 thousand (2020: ALL 116,845 thousand).

Loan portfolio



Deposits



During the year the assets of Fibank Albania increased by 22.3% and reached ALL 41,883,294 thousand (2020: ALL 34,243,838 thousand) mainly as a result of the growth in loans and advances to customers and investments in securities. The gross loan portfolio increased by 20.6% to ALL 21,591,197 thousand (2020: ALL 17,908,218 thousand), mainly due to growth in SME loans, as well as in retail loans, and in particular mortgages. In 2021, the bank continued to offer competitive lending terms both to individuals and business customers. In support of farmers, First Investment Bank - Albania Sh.a. has a partnership agreement with the Albanian Rural Credit Guarantee Foundation to facilitate the financing of micro, small and medium-sized enterprises in Albania, based on KfW policies and support.

Investments in securities reported at fair value through other comprehensive income (FVOCI) increased to ALL 11,592,311 thousand (2020: ALL 9,961,169 thousand), including mainly treasury bills and government bonds of the governments of Albania and EU countries. Loans and advances to banks and financial institutions, including current accounts and placements with local and foreign banks and financial institutions increased to ALL 4,234,180 thousand as at 31 December 2021 (2020: ALL 2,422,790 thousand).

Borrowings from customers increased by 20.5% to ALL 34,332,798 thousand at the end of the period (2020: 28,503,007 thousand ALL), with growth reported in both retail and business deposits as a result of the flexible and competitive savings products, promotional campaigns and bundled services offered by the bank. During the year a new savings account was launched: the Fibank Super Savings Account, featuring competitive terms and the option to deposit or withdraw funds at any time.

With a view to supporting customers in a pandemic situation, the arrangement was continued for elderly customers of the bank to receive their pensions via the Albanian postal services, without visiting a bank office. Special current accounts were also offered for individuals receiving state aid in connection with the coronavirus crisis.

As at 31 December 2021, First Investment Bank - Albania Sh.a. had two subordinated term debt instruments issued (long-term bonds) amounting to EUR 2.0 million and EUR 2.9 million, meeting the requirements for Tier 2 capital under Regulation (EU) 575/2013. At the end of the year, the amortized value of the debt year amounted to ALL 594,092 thousand (2020: ALL 608,631 thousand). The equity of First Investment Bank - Albania increased to ALL 4,235,850 thousand compared to ALL 3,646,590 thousand at the end of 2020, mainly as a result of the increase in retained earnings.

Fibank Albania offers an electronic and mobile banking platform featuring a user friendly and intuitive design, which it constantly upgrades in line with technological innovations and customer needs. At the end of 2020 the bank, jointly with the second largest mobile operator in the country, launched an innovative product combining a mobile device and a telecommunications service paid in monthly installments.

In the field of card business, the bank has developed a network of ATM terminals with cash-in function and has invested in the security of card payments. Promotional campaigns are regularly organized, including for contactless debit and credit cards, in order to promote card payments and stimulate the volume of transactions. During the period, a 17.6% increase was reported in credit card use, with outstanding balances reaching ALL 349,459 thousand at the end of the year (2020: ALL 297,241 thousand). The bank is Visa certified and offers debit and credit cards to individual and corporate customers. It also has its own center for chip card personalization.

First Investment Bank - Albania Sh.a. continuously modernizes its branch network, which at the end of the year included 14 branches. It has a Head Office and 4 branches in Tirana, as well as branches in the other larger cities of Durres, Vlora, Elbasan, Fier, Shkoder, Korca, Berat, Lezhë, Saranda and Lushnjë. Through its branch network, the bank offers investment gold and other precious metals to the Albanian market. In connection with the COVID-19 pandemic, the necessary safety measures were implemented during the year according to the recommendations of the country's authorities, covering both employees and customers of the bank.

First Investment Bank - Albania Sh.a. continued to develop its corporate social responsibility and commitment to society by supporting a number of initiatives in Albania, focusing on several key areas: philanthropy, ethical work practices, environmental protection and volunteering.

The bank continued its long-term cooperation with the Down Syndrome - Albania foundation, aimed at assisting families in need in the country. During the year it was awarded a certificate of recognition for its overall contribution, support and participation in the various initiatives of the foundation over the years.

At the beginning of the year, Fibank Albania donated funds for the purchase of security cameras for several kindergartens in the town of Fier, in order to ensure additional comfort and security for parents and employees.

With a view to increasing financial literacy and innovation among adolescents and young people, during the period Fibank Albania took part in the Global Money Week organized by the Albanian Banking Association, as well as in the UN World Creativity and Innovation Day initiative which took place in Albania in April 2021. Support was also provided for women seeking careers in the field of information and communication technologies.

In 2021, a number of initiatives in the field of culture were also carried out. The bank supported talented Albanian writers and participated in cultural and social events organized by the Dritero Agolli Foundation.

In October 2021 the bank took part in the annual initiative to support the fight against breast cancer, aimed at raising funds and increasing public engagement and awareness on the topic.

At the end of the year First Investment Bank – Albania, jointly with the Albanian Red Cross, participated in a campaign for free and voluntary blood donation entitled "Donate blood - save lives!". Employees of the bank and other volunteers took part in the campaign, whose main goal was to promote voluntary blood donation in Albania as an act of vital importance for saving thousands of lives.

First Investment Bank –Albania Sh.a. has a corporate governance structure consisting of Executive Management (Directorate), Management Board, and an Audit Committee. Chief Executive Officer of First Investment Bank – Albania Sh.a. is Mr. Bozhidar Todorov who has extensive experience in banking, having held senior positions at First Investment Bank AD related to management of corporate assets.

The financial statements of the bank are prepared in accordance with International Financial Reporting Standards, and audited by a registered auditor. For 2021, the registered auditor of the bank was Grant Thortnton Sh.p.k.

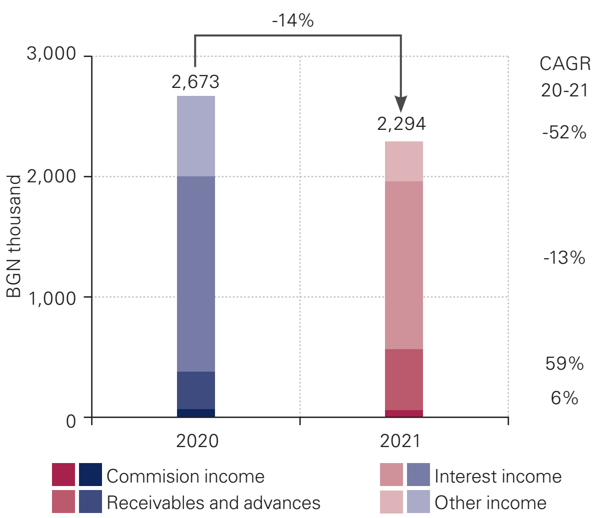
Diners Club Bulgaria AD

Diners Club Bulgaria AD is a joint stock company incorporated in November 1996, its main business activity being the issuance of Diners Club credit cards and processing of payments with them. In 2005, First Investment Bank acquired 80% of the company's capital. Diners Club Bulgaria is licensed by the Bulgarian National Bank as a payment institution to perform payment transactions using payment cards, to issue and accept payments with payment instruments and to execute credit transfers, including standing orders.

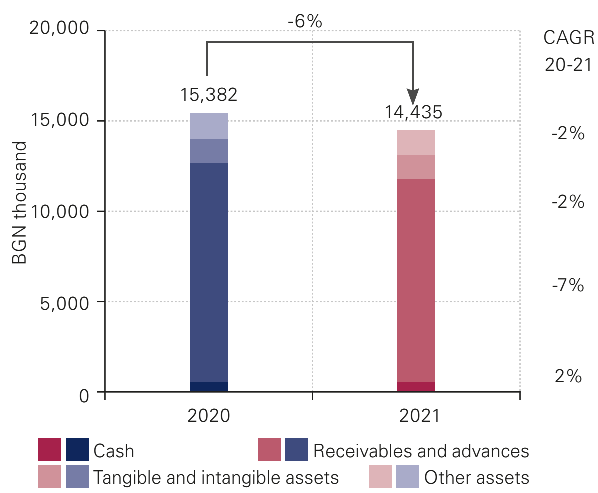
Over the years, Diners Club Bulgaria AD has consistently worked towards increasing the penetration of the Diners Club brand in the local market by offering new services to cardholders and expanding the network of POS terminals accepting payments with Diners Club cards. The company has entered into partnerships with a number of financial institutions in Bulgaria, thus facilitating the constant increase of locations for carrying out payments with Diners Club cards. In order to stimulate payments and issuance of new Diners Club cards, promotional campaigns are regularly carried out, including with various retail chains and outlets. Such campaigns were successfully carried out in 2021.

During the year, Diners Club Bulgaria continued to develop its integrated ProtectBuy system for secure online payments using the 3D Secure protocol for cardholders and merchants, in accordance with the regulatory requirements and security standards for online transactions. All cards issued by the company use two-factor authentication for online payments. With a view to increased convenience for customers and providing them with additional services, the company offers the MyDinersClub service (https://my.diners.bg/). The service features electronic card statements, reports for authorizations and transactions made, and also allows payment of utility bills, municipal taxes and fees, as well as amounts due on Diners Club cards.

Operating income



Structure of assets



For 2021 Diners Club Bulgaria reported a net loss of BGN 662 thousand compared to BGN 583 thousand a year earlier. This was mainly due to decreased fee and commission income, as well as to increased costs and investments made by the company to meet the high security standards in card payments.

Net operating income amounted to BGN 2,223 thousand, compared to BGN 2,586 thousand for the previous year due to decreased income from interest, commissions and other services, as well as to lower funding from Discover Financial Services (DFS) to promote the brand in the country. The operating expenses of the company amounted to BGN 1,819 thousand (2020: BGN 2,067 thousand).

The company reported BGN 14,435 thousand in assets (2020: BGN 15,382 thousand), mainly as a result of the decrease in loans and advances to customers which reached BGN 11,251 thousand compared to BGN 12,150 thousand the year before. Loans and advances to individuals formed 98.6% of all receivables from customers (2020: 98.3%).

Borrowings decreased, drawn bank overdraft amounts reaching BGN 13,303 thousand compared to BGN 13,588 thousand a year earlier. The equity of the company amounted to BGN 942 thousand at the end of the period (2020: BGN 1,604 thousand). For 2021, the average number of staff was 15 employees (2020: 13 employees).

In pursuance of its corporate social responsibility policy, in 2021 Diners Club Bulgaria supported various social initiatives in the field of music and culture, including the Sofia Summer Fest.

Diners Club Bulgaria AD has a one-tier management system, comprising the Board of Directors and the Executive management (Executive Director). The Executive Director representing Diners Club Bulgaria AD as at 31.12.2021, Mr. Simeon Iliev, has extensive professional experience in the card business.

Fi Health Insurance AD

Fi Health Insurance AD is an insurance company licensed by the Financial Supervision Commission in June 2013, when it became the first voluntary health insurance fund in the country to obtain a license for insurance of the risks of accident and illness, covering financial costs related to outpatient medical care, hospital treatment, expenses for medical goods and dental services, as well as indemnity in case of insurance events arising as a result of accident or illness. In 2018 the company's insurance license was expanded to cover another type of risk: miscellaneous financial losses.

First Investment Bank acquired a majority stake in the company (formerly named Health Insurance Fund FI Health AD/Health Insurance Fund Prime Health AD) in 2010, and over the years has systematically and consistently worked towards developing the company's business and expansion of the products and services provided.

Fi Health Insurance AD has a one-tier management system, comprising a Board of Directors and Executive management (Executive Director). Executive Director of Fi Health Insurance AD is Ms. Milena Kasapova, who has extensive professional experience in insurance. Since 2016, the company has been represented jointly by its Executive Director and a Procurator, with Ms. Tsvetomira Karapchanska, a longtime Sales Manager of the company, being appointed as Procurator. The company has established compliance, internal control, and risk management functions.

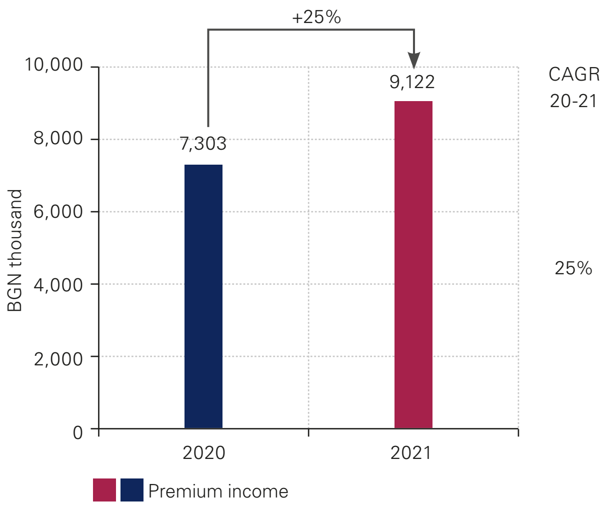
In 2021, Fi Health Insurance further developed its business and launched successful campaigns to promote new insurance products, including additional coverage to the "Peace of Mind with Fi Health" policy in case of unemployment. This product provides insured persons with protection against risks related to their life, health, physical condition and employment.

The product range of the company offers insurance coverage for both retail and business customers, primarily from the micro and SME segments. It includes the "Peace of Mind with Fi Health" and "Occupational Accident" insurance products, the "FiHealth Protect" insurance offered with credit cards, the "FiHealth Partner" insurance designed for individuals, as well as group insurance policies suitable for employees of corporate clients. In 2021, the company directed its efforts at developing an insurance product for retail customers of First Investment Bank using overdraft facilities from the bank. Sales of the product are expected to begin in 2022.

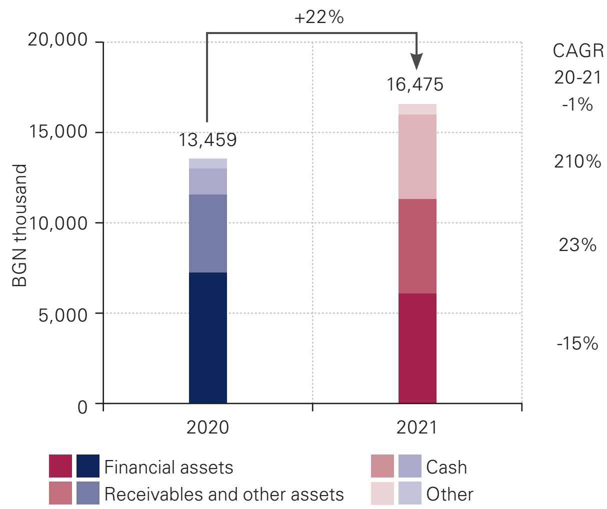
Throughout the year, the company continued to focus on offering group sickness insurance to corporate clients and signed new agreements to that effect. Such insurance, taken out by the employer, guarantees comprehensive and high-quality medical care, as well as easier access to reputable medical establishments and qualified health specialists on the territory of the country. This easy and well-organized access to quality medical service promotes additional health insurance, expands the market niche and creates sophisticated health service users. Fi Health also created a VIP package for individual clients with a high level of coverage.

For 2021, the premium income of Fi Health Insurance amounted to BGN 9,122 thousand, compared to BGN 7,303 thousand for 2020, and the reported net profit for the period was BGN 2,074 thousand (2020: BGN 1,401 thousand). The company manages insurance risk through established limits, procedures for approval of submitted claims, and various methods for assessment and control.

Premium income



Structure of assets



The company's assets increased by 22.4% to BGN 16,475 thousand at year-end (2020: BGN 13,459 thousand), driven by cash and cash equivalents (2021: BGN 4,666 thousand; 2020: BGN 1,507 thousand). There was a decrease in financial assets held by the company (2021: BGN 6,096 thousand; 2020: BGN 6,140 thousand), which mainly include bank deposits and Bulgarian government securities. There was an increase in receivables and other assets (2021: BGN 5,203 thousand; 2020: BGN 4,240 thousand), including receivables under insurance contracts. As at 31 December 2021, the equity of Fi Health Insurance amounted to BGN 10,465 thousand, compared to BGN 8,391 thousand a year earlier. The company sets aside the required technical reserves in accordance with legal requirements and standards.

In order to continue safeguarding its financial stability while progressively increasing the product portfolio, in 2021 Fi Health Insurance renewed its agreement with an A+ rated reinsurance company (S&P).

MyFin EAD

MyFin

In 2020 First Investment Bank established a new subsidiary: MyFin EAD. MyFin was entered in the Commercial Register of the Registry Agency in March 2020, its main business being issuance of electronic money and provision of payment services within the meaning of the Law on Payment Services and Payment Systems, for which it was licensed by the Bulgarian National Bank.

The company started its activity in November 2020, offering customers a digital platform for fast money transfers and online payments, issuance of digital and virtual cards, as well as innovative payment services such as peer-to-peer transfers between MyFin customers, Pay by Link and others. MyFin customers can receive real-time information about their account balances and transactions performed, as well as use 24/7 consultation with qualified live operators.

The vision of the company is focused on facilitating the user experience in financial management, as well as on developing and upgrading its digital services platform with new functionalities and options for customers.

In 2021, the company further increased its digital wallet functionalities by developing and launching new services related to personal finance management (PFM), utility payments and online shopping. Proof of the achievements of MyFin EAD during the period was the brand recognition award received from Business Lady magazine.

In 2021, the capital of MyFin EAD was increased from BGN 1 million to BGN 2 million with a view to expanding its activity and implementing new projects and services. After the reporting period, via First Investment Bank, the company provided its customers with access to the innovative Blink service allowing instant payments (up to 10 seconds) for amounts up to BGN 30,000, thus becoming one of the first fintech companies in Bulgaria to offer this service.

Right from the start of its activity, the company became involved in initiatives for corporate social responsibility and commitment to society, supporting projects to reduce harmful emissions and protect the environment. In addition to the company's main focus being the issuance of digital and virtual payment cards, its plastic cards offered to customers are also made of innovative 100% biodegradable material, developed in partnership with the company Austriacard.

In 2021, in fulfillment of the commitments made, MyFin planted 20 linden trees in the town of Kyustendil. The initiative was part of the Clean Air for Kyustendil project which aims to build sustainable mechanisms of civic participation, protect the environment and improve air quality. It was implemented by the ASORI Association with the support of EEA and Norway Grants and the Active Citizens Fund.

For its activities in support of sustainable development during the year, MyFin EAD was a finalist in the Green Planet category of the annual awards for charity and corporate social responsibility held by Business Lady magazine. The company was also main sponsor of the 359 Hip Hop Awards music festival which took place in Sofia.

MyFin EAD has a one-tier management system, comprising a Board of Directors and Executive management (Executive Director). The Executive Director representing the company, Mr. Lachezar Venkov, has extensive professional experience in financial and digital services

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As at 31 December 2021 First Investment Bank AD also had other subsidiary companies, as follows: First Investment Finance B.V., Debita OOD, Realtor OOD – in liquidation, Balkan Financial Services EAD, Creative Investment EOOD, Turnaround Management EOOD – in liquidation, Lega Solutions EOOD and AMC Imoti EAD.

In 2021, decisions were made to terminate the activity of the subsidiaries Realtor OOD and Balkan Financial Services EAD and liquidation proceedings were opened for these companies. In January 2022, pursuant to the decision to close the subsidiary Turnaround Management EOOD, the company was deleted from the Commercial Register.

For further information on subsidiary companies, including on those subject to consolidation, see section "Fibank profile", as well as note 36 „Subsidiary undertakings" of the Consolidated financial statements for the year ended 31 December 2021.

Good results bring satisfaction and security

Consolidated financial statements

as at 31 december 2021
with independent auditors' report thereon

Independent auditors report

To the shareholders of First Investment Bank AD

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of First Investment Bank AD and its subsidiaries ("the Group") containing the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, as well as the notes to the consolidated financial statements that also contain a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of First Investment Bank AD and its subsidiaries as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under these standards are further described in our section "Auditor's Responsibilities for the Auditing of the Financial Statements".We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (IESBA Code), along with the ethical requirements of the Independent Financial Audit Act (IFAA) applicable to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in line with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we received is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, according to our professional judgment, were of the highest importance in the audit of the current period's consolidated financial statements. These issues are considered as part of our audit of the consolidated financial statements as a whole and the formation of our opinion thereon, and we do not provide a separate opinion on these issues.

Impairment of customer receivables

Key audit matter - Findings of substance	Matters discussed with audit committee
Impairment is a material judgment of management in respect of losses incurred within the First Investment Bank AD's loan portfolio. First Investment Bank AD assesses the need for impairment of loans on an individual and portfolio basis. Loans represent 55.93% of the assets of FirstInvestmentBankAD. FirstInvestment Bank AD categorizes its receivables from customers in 4 business segments: retail banking, small and medium enterprises, microcredit and corporate clients. The share of receivables from corporate customers is the largest - 48.21% of the total receivables from customers. Because of their materiality and uncertainty related to the process of identifying deteriorating loans, the assessment of objective evidence of impairment and the determination of recoverable value is defined as a key audit issue. The process includes various assumptions and factors, including the counterparty's financial condition, expected future cash flows, collateral value. As a result, the use of different modeling techniques and assumptions may lead to differences in the valuation of loan loss provisions. Exposures that give the greatest uncertainty to valuations are those where there is a risk of cash flow shortages or collateral insufficiency.	The issues discussed cover the positive results and good practices set out in the provisioning model. First Investment Bank AD has complied with IFRS requirements when developing policy and provisioning rules. Improvements have been discussed inthe procedures that First Investment Bank AD should introduce in order to: • a clearer documenting of judgments about the future cash flows of borrowers and the expected development of future credit exposures, with particular attention being paid to lending for working capital by First Investment BankAD. • systematically confirming the commitment of the borrowers' owners to provide ongoing support to the companies. A recommendation was also discussed with The Audit Committee that the risk management bodies of First Investment Bank AD monitor the changes in risk factors, the macroeconomic framework and other data used in the provisioning models, and the material changes to be timely reflected in the provisioning

How this key audit matter was addressed during our audit

- The internal rules of First Investment Bank AD have been reviewed, we have gained understanding of key controls in key business processes, and tests of effectiveness of controls are performed according to the auditstrategy.
- A sample of borrowers has been reviewed on a risk-based basis for which substantive procedures have been performed in relation to the assessment of the adequacy of the recognized impairmentprovision.
- For individually accrued provisions, we tested assumptions about the identification and quantification of impairments, including future cash flow projections and credit collateral estimates. We examined a sample of credit exposures that continue to be, have become, or have been, at risk of impairment.
- For collective impairment provisions, we reviewed the methodology used by First Investment Bank AD to determine them, the reasonableness of the underlying assumptions and the sufficiency of the data used by themanagement.
- For selected non-performing loans, we have evaluated the management forecasts for cash flow generation, collateral estimates and other repayment sources. In addition, we have tested a sample of performing loans for which we have assessed the financial performance indicators for weaknesses and other risks that could jeopardize the ability to repay exposures.

References in the Annual Financial Statements

- Notes 18 and18a
- Note 2(j)
- Note 3 C(iii)
- Note4

Assets acquired as collateral

Key audit matter - Assets acquired as collateral	Matters discussed with audit committee
The position in the consolidated financial statements amounting to BGN 459,853 thousand is disclosed in the respective subgroups. The Buildings group contains assets of varying degrees of completeness andare in line with their condition at the acquisition date. First Investment Bank AD has recognized in the group Other income/ expenses, net (Note 12) loss of BGN 6,034 thousand. First Investment Bank AD, like any other banking institution, is exposed to a significant risk on the realization of assets acquired as collateral.	The actions and procedures that First Investment Bank AD should implement in order to enable First Investment Bank AD to track the changes in the portion of revenues and expenses by groupsand subgroups by the time of realization of the respective assets were discussed. In addition, we have set out our recommendation to improve asset inventory processes that have been acquired as collateral in order to better and fully implement the national financial reporting framework.

How this key audit matter was addressed during our audit

Procedures carried out in support of our conclusions and discussions:

- The internal rules of First Investment Bank AD have been reviewed, we have gained understanding of key controls in key business processes, and tests of effectiveness of controls are performed according to the auditstrategy.
- For a sample of newly acquired collateral assets amounting to BGN 37,009 thousand, the acquisition documents were reviewed and the fair value reports were reviewed for a sample of BGN 309,684 thousand. Supporting documents for our sample have been reviewed in connection with the largest object - a brokerage agreement, a rental agreement, a commission contract and the annexes to them. Substantive procedures have been carried out to confirm the completeness and accuracy of reclassification between the different groups.

References in the Annual Consolidated Financial Statements

- Note 12
- Note 22

Litigation and provisions

Key audit matter – Litigation and provisions	Matters discussed with audit committee
First Investment Bank AD, like any other banking institution, is exposed to significant risk of litigation and regulatory inspections. The degree of impact cannot always be predicted, but it can lead to provisions for contingent and other obligations depending on the relevant facts and circumstances. The level of provisions is subject to management and assessment based on legal advice. First Investment Bank AD has recognized provisions in the amount of BGN 523 thousand in litigation. In connection with issued bank guarantees, First Investment Bank AD has blocked funds in the amount of BGN 44,137 thousand, which are disclosed in Note 25 to the consolidated financial statements (included in the subgroup Other assets). Due to the ambiguities from the occurrence and filing of claims related to lawsuits against First Investment Bank AD, there is a risk of incomplete or untimely reflection in the financial statements of legal claims related to the relevant reporting period.	Recognition and valuation of provisions have been discussed with the Audit Committee to ensure that First Investment Bank AD has correctly implemented its provisioning policies. Disputes on which First Investment Bank AD has not recognized provisions were discussed in order to be sufficiently convinced that there is no need for additional provisions and in particular: the legal department of First Investment Bank AD reports to the Audit Committee the current status of litigation. The significant changes that have taken place have been discussed, taking into account the potential changes in the provisions. The discussion is also held in order to identify all significant litigation.

How this key audit matter was addressed during our audit

Procedures performed in support of our conclusions and discussions

- The internal rules of First Investment Bank AD have been reviewed, we have received an understanding of the key controls in the essential business processes and tests have been made for the effectiveness of the controls, according to the auditstrategy.
- A letter was received from the legal department of First Investment Bank AD, as well as from external legal advisers regarding information on cases filed in foreign jurisdiction and subsequent proceedings in Bulgaria. The pending court cases in Bulgarian and Romanian courts, on which no final decisions have entered into force, are listed.

References in the annual consolidated financial statements

- Note 25
- Note 30

Other matters

Pursuant to Decision 81/15 March 2019 of the Bulgarian National Bank (BNB), First Investment Bank AD should have reclassified certain Receivables from customers as "Exposuresin default". The Bank has not reclassified as "Defaulted exposures" Receivables from customers amounting to BGN 400,021 thousand gross (BGN 362,467 thousand net), for which the management has provided the BNB with explanations and reasons for itsdecision.

Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for other information. The other information consists of a consolidated activity report, incl. corporate governance statement, consolidated non-financial statement and remuneration policy implementation report prepared by management in accordance with Chapter Seven of the Accounting Act, but does not include the consolidated financial statements and our audit report on it, which we received before the date of our audit report.

Our opinion on the consolidated financial statements does not cover other information and we do not express any form of assurance regarding it, unless explicitly stated in our report and to the extent that it is stated.

In connection with our audit of the consolidated financial statements, our responsibility is toread the other information and thereby determine whether that other information is materially inconsistent with the consolidated financial statements or with our knowledge of the audit, or otherwise it appears to contain material misstatement.

In the event that, based on the work we have done, we conclude that there is a material misstatement in this other information, we are required to report this fact.

We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS applicable in the EU and for such internal control system as it deems necessary to ensure the preparation of consolidated financial statements that do not contain material misstatements, regardless of whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, where applicable, issues related to the going concern assumption and using the accounting basis based on the going concern assumption. If management does not intend to liquidate the Group or discontinue the Group, or if management has virtually no alternative but to do so.

The persons in charge of general management are responsible for supervising the Group's financial reporting process.

Responsibilities of auditor for the consolidated financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole do not contain material misstatements, whether due to fraud or error, and to issue an audit report that includes our audit opinion. A reasonable level of assurance is a high level of assurance, but there is no guarantee that an audit performed in accordance with ISA will always reveal material misstatement, where such exists. Incorrect readings may arise as a result of fraud or error and are considered material if it could reasonably be expected that they, alone or as a whole, could influence the economic decisions of consumers made on the basis of this consolidated financial report.

As part o fthe ISA-compliant audit, we use professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, develop and perform audit procedures in response to those risks, and obtain audit evidence that issufficient and appropriate to provide a basis for ouropinion. The risk of not disclosing material misstatement resulting from fraud is higher than the risk of material misstatement resulting from error, as fraud may include collusion, falsification, intentional omissions, introductory statements of the auditor in error, as well as neglect or circumvention of internal control.
- We gain an understanding of internal control relevant to the audit in order to develop audit procedures that are appropriate in the particular circumstances, but not in order to express an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the accounting base based on the going concern assumption and, based on the audit evidence obtained, whether there is material uncertainty about events or conditions that could raise significant doubts about the Group's ability to continue as a going concern. If we conclude that there ismaterial uncertainty, we are required to draw attention in our audit report to the disclosures related to this uncertainty in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to operate as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that achieves reliable presentation.
- We obtain sufficient appropriate audit evidence about the financial information of the entities or entities within the Group to express an opinion on the consolidated financial statements. We are responsible for instructing, overseeing and performing the Group's audit. We are solely responsible for our audit opinion.

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including significant deficiencies in internal control, which we identify during our audit.

We also provide those charged with governance with a statement that we have met the applicable ethical requirements for independence and that we will communicate with them all relationships and other matters that could reasonably be considered relevant to our independence, and, where applicable, the precautionary measures involved.

Among the matters communicated to those charged with governance, we identify those matters that were of the greatest importance in the audit of the consolidated financial statements for the current period and which are therefore key audit matters. We describe these matters in our audit report, except where law or regulation impedes the public disclosure of the matter or when, in extremely rare cases, we decide that an issue should not be communicated in our report, as it could reasonably be expected that the adverse consequences of this action would outweigh the public interest benefits of this communication.

We are jointly and severally liable for the performance of our audit and for the audit opinion expressed by us, in accordance with the requirements of the IFAA applicable in Bulgaria. In undertaking and fulfilling the commitment for joint audit, in connection with which we report, we have been guided by the Guidelines for Joint Audit, issued on 13.06.2017 by the Institute of Certified Public Accountants in Bulgaria and the Commission for Public supervision of registered auditors in Bulgaria.

Report on other legal and regulatory requirements

Additional issues raised by the Accounting Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting under ISA, described above in the section „Other information other than the consolidated financial statements and the auditor's report" regarding the consolidated statement of operations, the Group's corporate governance statement, the consolidated non-financial statement and Remuneration Policy Implementation Report, we also complied with the procedures added to those required by ISAs under the Guidelines on New and Extended Auditor Reports and Auditor Communication of the Professional Organization of Registered Auditors in Bulgaria, Institute of Certified Public Accountants (ICPA). "These procedures concern checks on the availability as well as checks on the form and content of this other information in order to assist us in forming an opinion on whether other information includes disclosures and reports provided for in Chapter Seven of the Accounting Act. and in the Public Offering of securities Act, (Art. 100n, para. 10 of POSA in connection with Art. 100n, para. 8, items 3 and 4 of POSA), applicable in Bulgaria.

Opinion in connection with Art. 37, para. 6 of the Accounting Act

Based on the procedures performed, our opinion is that:

(a) The information included in the consolidated statement of operations for the financial year for which the consolidated financial statements have been prepared is consistent with the consolidated financial statements.

b) The consolidated activity report has been prepared in accordance with the requirements of Chapter Seven of the Accounting Act and of Art. 100 (n), para. 7 of the Public Offering of Securities Act.

c) The corporate governance statement of the Group for the financial year for which the consolidated financial statements have been prepared presents the requirements required under Chapter Seven of the Accounting Act and Art. 100 (n), para. 8 of the Public Offering of Securities Act Information.

d) The consolidated non-financial statement for the financial year for which the consolidated financial statements have been prepared has been submitted and prepared in accordance with the requirements of Chapter Seven of the Accounting Act.

e) The report on the implementation of the remuneration policy for the financial year for which the financial statement has been prepared has been submitted and meets the requirements set out in the ordinance under Art. 116c, para. 1 of the Public Offering of Securities Act.

Opinion in connection with Art. 100 (n), para. 10 in connection with Art. 100 n, para. 8, items 3 and 4 of the Public Offering of Securities Act

Based on the performed procedures and the acquired knowledge and understanding of the Group's activities and the environment in which it operates, in our opinion, the description of the main characteristics of the Group's internal control and risk management systems in connection with the financial reporting process, which is part of the consolidated activity report (as an element of the content of the corporate governance declaration) and the information under Art. Article 10 (1) (c), (d), (e), (h) and (i) of Directive 2004/25 / EC of the European Parliament and of the Council of 21 April 2004 on takeover bids do not contain cases of material misstatement.

Additional reporting on the audit of the consolidated financial statements in connection with Art. 100 (n), para. 4, item 3 of the Public Offering of Securities Act

Statement in connection with Art. 100 (n), para. 4, item 3, p. „B" of the Public Offering of Securities Act

Information on related party transactions is disclosed in Note 35 to the consolidated financial statements. Based on our audit procedures on related party transactions as part of our audit of the consolidated financial statements as a whole, we are not aware of any facts, circumstances or other information on the basis of which we can conclude that related party transactions are not disclosed in the accompanying financial statements for the year ended 31 December 2021, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. The results of our audit procedures on related party transactions are reviewed by us in the context of forming our opinion on the consolidated financial statements as a whole, and not for the purpose of expressing a separate opinion on related party transactions.

Statement in connection with Art. 100 (n), para. 4, item 3, p. „C" of the Public Offering of Securities Act

Our responsibilities for the audit of the consolidated financial statements as a whole, described in the section of our report „Auditor's Responsibilities for the Audit of the Financial Statements", include assessing whether the consolidated financial statements present material transactions and events in a manner that provides reliable presentation. Based on our audit procedures on the material transactions underlying the consolidated financial statements for the year ended 31 December 2021, we are not aware of any facts, circumstances or other information on the basis of which we can conclude that they are there are cases of material misstatement in accordance with the applicable requirements of IFRS adopted by the European Union. The results of our audit procedures on the significant transactions and events of the Bank for the consolidated financial statements are reviewed by us in the context of forming our opinion on the financial statements as a whole, and not for the purpose of expressing a separate opinion on these significant transactions.

Report on other legal and regulatory requirements

Reporting on compliance with the electronic format of the consolidated financial statements included in the annual consolidated financial statements for the activity under Art. 100n, para 5 of POSA with the requirements of the ESEF Regulation

We are committed to providing reasonable assurance as to the compliance of the electronic format of the Group's consolidated financial statements for the year ended 31 December 2021, attached to the electronic file 549300UY81ESCZJ0GR95-20211231-EN-CON.xhtml, with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109 / EC of the European Parliament and of the Council by means of regulatory technical standards to define the uniform electronic format for reporting („ESEF Regulation") . Our opinion is only regarding the electronic format of the consolidated financial statements and does not cover the other information included in the annual consolidated financial statements for the activity under Art. 100n, para. 5 of the POSA.

Description of the subject and applicable criteria

The management has prepared an electronic format of the consolidated financial statements of the Group for the year ended 31 December 2021 under the ESEF Regulation in order to comply with the requirements of the POSA. The rules for the preparation of consolidated financial statements in this electronic format are set out in the ESEF Regulation and, in our view, have the characteristics of appropriate criteria for issuing a reasonable assurance opinion.

Responsibilities of management and those charged with governance

The management of the Group is responsible for the application of the requirements of the ESEF Regulation when preparing the electronic format of the consolidated financial statements in XHTML. These responsibilities include the selection and application of appropriate iXBRL markings using the taxonomy of the ESEF Regulation, as well as the introduction and implementation of such internal control system as management deems necessary to prepare the electronic format of the Group's annual consolidated financial statements. Does not contain significant inconsistencies with the requirements of the ESEF Regulation.

The persons in charge of general management are responsible for overseeing the process of preparing the Group's annual consolidated financial statements, including the implementation of the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion of reasonable assurance as to whether the electronic format of the consolidated financial statements is in accordance with the requirements of the ESEF Regulation. To this end, we have complied with the Guidelines on the Audit Opinion on the Application of the Single European Electronic Format (ESEF) for the Financial Statements of Companies „whose securities are admitted to trading on a regulated market in the European Union (EU)" of the professional organization. of Registered Auditors in Bulgaria, Institute of Certified Public Accountants (ICPA) „and we have committed to expressing a reasonable level of assurance in accordance with IAAES 3000 (revised) Assurance Exercises Other than Audits and Reviews of Historical Financial Information" (IAAES 3000 (revised)) This standard requires us to comply with ethical requirements, plan and perform appropriate procedures to obtain reasonable assurance whether the electronic format of the Group's consolidated financial statements has been prepared in all material respects in accordance with applicable regulations. Criteria mentioned above. The nature, timing and scope of the selected procedures depend on our professional judgment, including the assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

A reasonable level of assurance is a high level of assurance, but there is no guarantee that a commitment made in accordance with IAAES 3000 (revised) will always reveal a material non- compliance where applicable.

Quality control requirements

We apply the requirements of the International Standard on Quality Control (ISQC) 1 and, accordingly, maintain a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements for registered auditors in Bulgaria.

We meet the ethical and independence requirements of the International Code of Ethics for Professional Accountants (including International Standards of Independence) of the International Ethics Standards Board for Accountants (IESBA Code), adopted by ICPA through the IFAA.

Summary of the work performed

The purpose of the procedures planned and performed by us was to obtain a reasonable degree of assurance that the electronic format of the consolidated financial statements has been prepared, in all material respects in accordance with the requirements of the ESEF Regulation. As part of the assessment of compliance with the requirements of the ESEF Regulation regarding the electronic (XHTML) format for reporting on the Group's consolidated accounts, we maintained professional skepticism and used professional judgment. We also:

- received an understanding of the internal control and processes related to the application of the ESEF Regulation to the consolidated financial statements of the Group and including the preparation of the consolidated financial statements of the Group in XHTML format and its marking in machine readable language (iXBRL);
- we checked if the applied XHTML format is valid;

- we checked whether the human readable part of the electronic format of the consolidated financial statements corresponds to the audited consolidated financial statements;
- we assessed the completeness of the markings in the consolidated financial statements of the Group in the use of machine-readable language (iXBRL) in accordance with the requirements of the ESEF Regulation;
- assessed the appropriateness of the iXBRL markings selected from the main taxonomy used, as well as the creation of an extended taxonomy element in accordance with the ESEF Regulation where an appropriate element in the basic taxonomy is missing;
- we assess the appropriateness of correlating (fixing) the elements of the extended taxonomy in accordance with the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation

In our opinion, based on the procedures performed by us, the electronic format of the consolidated financial statements of the Group for the year ended 31 December 2021, contained in the attached electronic file 549300UY81ESCZJ0GR95-20211231-EN-CON.xhtml, has been prepared in all essential aspects in accordance with the requirements of the ESEF Regulation.

Reporting according to art. 10 of Regulation (EU) № 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

According to the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) № 2014/537, we also report the following information.

- ECOVIS AUDIT BG OOD and BDO Bulgaria OOD have been appointed statutory auditors of the financial statements for the year ended 31 December 2021 of First Investment Bank AD (the "Bank") by the General Meeting of Shareholders held on 23 June 2021, for a period of one year.
- The audit of the financial statements for the year ended 31 December 2021 of the Bank represents the first full continuous commitment for mandatory audit of this company performed by ECOVIS AUDIT BG OOD and the seventh full continuous commitment for mandatory audit of this company performed by BDO Bulgaria Ltd.
- We confirm that the audit opinion expressed by us is in accordance with the additional report submitted to the audit committee of the Bank, in accordance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We confirm that we have not provided those specified in Art. 64 of the Independent Financial Audit Act prohibited services outside the audit.
- We confirm that in performing the audit we have maintained our independence from the Bank.
- For the period covered by our statutory audit, ECOVIS AUDIT BG OOD and BDO Bulgaria OOD have jointly provided the following services to the Bank, which are not specified in the activity report or financial statements of the Company:
  – Agreed upon procedure for application of Ordinance 14 of the BNB for the period December 1, 2021 - December 30, 2021 - Review of the current state of the internal control systems prepared by the Bank in accordance with the requirements of the International Standard for Related Services 4400 „Engagements to carry out agreed upon procedures regarding financial information";
- For the period covered by our statutory audit, in addition to the audit, BDO Bulgaria OOD has provided the following services to the Bank and its controlled companies, which are not specified in the activity report or financial statements of the Bank.:

BDO ECOVIS®

– Audit as of December 31, 2021 of the annual financial statements of Fi Health Insurance AD (subsidiary), prepared in accordance with IFRS, in accordance with ISA;

– Audit as of December 31, 2021 of the annual financial statements of Diners Club Bulgaria AD (subsidiary), prepared in accordance with IFRS, in accordance with ISA;

– Audit as of December 31, 2021 of the annual financial statements of Myfin EAD (subsidiary), prepared in accordance with IFRS, in accordance with ISA.

Sofia, 28 April 2022

For BDO Bulgaria OOD:	For ECOVIS AUDIT BG OOD:
Nedyalko Apostolov	**Atina Nikolaos Mavridis**
Manager	Manager
Tsvetana Stefanina	**Rayna Stefanova**
Registered auditor, responsible for the audit	Registered auditor, responsible for the audit
Sofia, 51B Bulgaria Blvd, floor 4	Sofia, r.d. Strelbishte, 23 Tvardishki prohod street, fl. 3

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 016 БДО България ООД

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 176 ЕКОВИС ОДИТ БГ ООД

Individual statement of profit or loss and of other comprehensive income for the year ended 31 December 2021

In BGN '000

	Note	2021	2020
Interest income		334,310	313,863
Interest expense		(51,845)	(64,185)
Net interest income	**6**	**282,465**	**249,678**
Fee and commission income		149,209	120,807
Fee and commission expense		(25,704)	(21,615)
Net fee and commission income	**7**	**123,505**	**99,192**
Net trading income	8	15,742	12,531
Other net operating income	9	13,258	12,308
TOTAL INCOME FROM BANKING OPERATIONS		**434,970**	**373,709**
Administrative expenses	10	(192,083)	(193,807)
Allowance for impairment	11	(125,663)	(98,707)
Other income/(expenses), net	12	7,608	(29,696)
PROFIT BEFORE TAX		**124,832**	**51,499**
Income tax expense	13	(13,424)	(5,982)
GROUP PROFIT AFTER TAX		**111,408**	**45,517**
Other comprehensive income			
Items which should or may be reclassified as profit or loss			
Exchange rate differences from translation of foreign operations		1,333	(774)
Revaluation reserve of investments in securities		(9,319)	658
Total other comprehensive income		**(7,986)**	**(116)**
TOTAL COMPREHENSIVE INCOME		**103,422**	**45,401**
Net profit attributable to:			
Ordinary equity holders		110,595	44,974
Non-controlling interest		813	543
Total comprehensive income attributable to:			
Ordinary equity holders		102,609	44,858
Non-controlling interest		813	543
Basic and diluted earnings per share (BGN)	**14**	**0.74**	**0.36**

The statement of profit or loss and of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 135 to 192.

The financial statements have been approved by the Managing Board on 28 April 2022 and signed on its behalf by:

Svetozar Popov
Executive Director

Chavdar Zlatev
Executive Director

Ianko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 28/04/2022:

Nedyalko Apostolov
Partner

BDO Bulgaria OOD

Tsvetana Stefanina, Manager
Registered auditor responsible for the audit

Амина Мавридис
Partner

ECOVIS AUDIT BG OOD

Rayna Stefanova
Registered auditor responsible for the audit

Consolidated statement of the financial position as at 31 December 2021

In BGN '000

	Note	2021	2020
ASSETS			
Cash and balances with Central Banks	15	1,970,814	2,133,197
Investments in securities	16	1,673,781	1,292,641
Loans and advances to banks and other financial institutions	17	87,456	106,111
Loans and advances to customers	18	6,653,944	6,312,887
Property and equipment	19	80,198	77,026
Intangible assets	20	15,566	16,443
Derivatives held for risk management		1,042	5,110
Current tax assets		-	283
Repossessed assets	22	459,853	713,619
Investment Property	23	732,850	414,021
Rights of use assets	24	92,169	154,080
Other assets	25	129,548	110,002
TOTAL ASSETS		**11,897,221**	**11,335,420**
LIABILITIES AND CAPITAL			
Due to banks	26	8,722	2,747
Due to other customers	27	9,973,631	9,542,276
Liabilities evidenced by paper	28	120,002	103,649
Financial liabilities at fair value through profit or loss		2,164	-
Subordinated term debt	29	9,622	9,623
Hybrid debt	29	320,733	267,579
Derivatives held for risk management		2,166	410
Deferred tax liabilities	21	26,927	21,644
Current tax liabilities		1,714	12
Lease liabilities	24	92,405	154,481
Other liabilities	30	19,293	16,579
TOTAL LIABILITIES		**10,577,379**	**10,119,000**
Issued share capital	31	149,085	149,085
Share premium	31	250,017	250,017
Statutory reserve	31	39,865	39,865
Revaluation reserve of investments in securities		9,115	18,434
Revaluation reserve on property		4,500	4,500
Reserve from translation of foreign operations		2,592	1,259
Other reserves and retained earnings	31	860,339	749,744
TOTAL SHAREHOLDERS' EQUITY		**1,315,513**	**1,212,904**
Non-controlling interest		4,329	3,516
TOTAL GROUP EQUITY		**1,319,842**	**1,216,420**
TOTAL LIABILITIES AND GROUP EQUITY		**11,897,221**	**11,335,420**

The statement of the financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 135 to 192

The financial statements have been approved by the Managing Board on 28 April 2022 and signed on its behalf by:

Svetozar Popov
Executive Director

Chavdar Zlatev
Executive Director

Ianko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 28/04/2022:

Nedyalko Apostolov
Partner

BDO Bulgaria OOD

Tsvetana Stefanina, Manager
Registered auditor responsible for the audit

Амина Маβридис
Partner

ECOVIS AUDIT BG OOD

Rayna Stefanova
Registered auditor responsible for the audit

Одиторско дружество София Рег. № 016 БДО България ООД

Одиторско дружество София Рег. № 176 Ековис Одит БГ ООД

Consolidated statement of cash flows for the year ended 31 December 2021

In BGN '000

	2021	2020
Net cash flow from operating activities		
Net profit	111,408	45,517
Adjustment for non-cash items		
Allowance for impairment	125,664	54,680
Net interest income	(282,465)	(249,678)
Depreciation and amortization	12,201	13,165
Tax expense	13,424	5,982
(Profit)/loss from sale and write-off of tangible and intangible fixed assets, net	(13)	44
Loss/(Profit) from sale of other assets, net	5,835	(999)
(Positive) revaluation of investment property	(30,340)	(2,312)
	(44,286)	**(133,601)**
Change in operating assets		
(Increase) in financial assets at fair value through profit or loss	(2,156)	(329)
(Increase) in financial assets at fair value in other comprehensive income	(272,846)	(110,506)
(Increase)/decrease in loans and advances to banks and financial institutions	(4,141)	1,055
(Increase) in loans to customers	(558,881)	(338,605)
Net decrease in other assets	51,027	8,134
	(786,997)	**(440,251)**
Change in operating liabilities		
Increase in due to banks	6,051	745
Increase in amounts owed to other depositors	452,177	447,090
Net (decrease) in other liabilities	(59,506)	(5,554)
	398,722	**442,281**
Interest received	371,517	287,855
Interest paid	(72,731)	(72,963)
Dividends received	455	430
Paid profit tax, net	(5,039)	(1,672)
NET CASH FLOW FROM OPERATING ACTIVITIES	**(138,359)**	**82,079**
Cash flow from investing activities		
(Purchase) of tangible and intangible fixed assets	(14,435)	(12,408)
Sale of tangible and intangible fixed assets	37	32
Sale of other assets	14,396	13,651
(Increase) of investments	(116,363)	(186,581)
NET CASH FLOW FROM INVESTING ACTIVITIES	**(116,365)**	**(185,306)**
Financing activities		
Increase/(decrease) in borrowings	16,453	(5,805)
Increase in subordinated liabilities	53,145	5,688
Capital increase through newly issued shares	-	39,085
Increase of share premium reserve of newly issued shares	-	153,017
NET CASH FLOW FROM FINANCING ACTIVITIES	**69,598**	**191,985**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(185,126)**	**88,758**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**2,202,771**	**2,114,013**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (See Note 33)	**2,017,645**	**2,202,771**

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 135 to 192.

The financial statements have been approved by the Managing Board on 28 April 2022 and signed on its behalf by:

Svetozar Popov
Executive Director

Chavdar Zlatev
Executive Director

Ianko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 28/04/2022:

Nedyalko Apostolov
Partner

BDO Bulgaria OOD

Tsvetana Stefanina, Manager
Registered auditor responsible for the audit

Амина Мавридис
Partner

ECOVIS AUDIT BG OOD

Rayna Stefanova
Registered auditor responsible for the audit

Consolidated statement of shareholders' equity for the year ended 31 December 2021

In BGN '000

	Issued share capital	Share premium	Other reserves and retained earnings	Revaluation reserve of investments in securities	Revaluation reserve on property	Reserve from translation of foreign operations	Statutory reserve	Non-controlling interest	Total
Balance at 01 January 2020	**110,000**	**97,000**	**704,770**	**17,776**	**4,500**	**2,033**	**39,865**	**2,973**	**978,917**
Total comprehensive income for the period									
Net profit for the year ended 31 December 2020	-	-	44,974	-	-	-	-	543	45,517
Other comprehensive income for the period									
Revaluation reserve of investments in securities	-	-	-	658	-	-	-	-	658
Reserve from translation of foreign operations	-	-	-	-	-	(774)	-	-	(774)
Capital increase through newly issued shares	39,085	-	-	-	-	-	-	-	39,085
Share premium reserve of newly issued shares	-	156,339	-	-	-	-	-	-	156,339
Decrease of premium reserve related to capital issue expenses	-	(3,322)	-	-	-	-	-	-	(3,322)
Balance as at 31 December 2020	**149,085**	**250,017**	**749,744**	**18,434**	**4,500**	**1,259**	**39,865**	**3,516**	**1,216,420**
Total comprehensive income for the period									
Net profit for the year ended 31 December 2021	-	-	110,595	-	-	-	-	813	111,408
Other comprehensive income for the period									
Revaluation reserve of investments in securities	-	-	-	(9,319)	-	-	-	-	(9,319)
Reserve from translation of foreign operations	-	-	-	-	-	1,333	-	-	1,333
Balance as at 31 December 2021	**149,085**	**250,017**	**860,339**	**9,115**	**4,500**	**2,592**	**39,865**	**4,329**	**1,319,842**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 135 to 192.

The financial statements have been approved by the Managing Board on 28 April 2022 and signed on its behalf by:

Svetozar Popov
Executive Director

Chavdar Zlatev
Executive Director

Ianko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 28/04/2022:

Nedyalko Apostolov
Partner

BDO Bulgaria OOD

Tsvetana Stefanina, Manager
Registered auditor responsible for the audit

Амина Мавридис
Partner

ECOVIS AUDIT BG OOD

Rayna Stefanova
Registered auditor responsible for the audit

Одиторско дружество София Рег. № 016 БДО България ООД

Одиторско дружество София Рег. № 176 Ековис одит БГ ООД

1. Basis of preparation

(a) Statute

First Investment Bank AD (the Bank) was incorporated in 1993 in the Republic of Bulgaria and has its registered office in Sofia, at 37 Dragan Tzankov Blvd.

The Bank has a general banking license issued by the Bulgarian National Bank (BNB) according to which it is allowed to conduct all banking transactions permitted by Bulgarian legislation.

Following the successful Initial Public Offering of new shares at the Bulgarian Stock Exchange – Sofia, on June 13th 2007 the Bank was registered as a public company in the Register of the Financial Supervision Commission pursuant to the provisions of the Law on the Public Offering of Securities.

The Bank's management has a dual board structure, with the Managing Board and the Supervisory Board having the following members:

Managing Board

- Mr Nikola Bakalov – Chief Executive Officer
- Mr Svetozar Popov – Executive Director
- Mr Chavdar Zlatev – Executive Director
- Ms Ralitsa Bogoeva – Executive Director
- Mr Ianko Karakolev – Managing Board member
- Ms Nadya Koshinska – Managing Board member

In 2020, the composition of the Managing Board changed, as follows:

- Mr Nikola Bakalov (currently Chief Executive Officer) was appointed as member of the Bank's Managing Board and Executive Director after approval from the Bulgarian National Bank; he has been performing these functions since this circumstance was listed in the Commercial Register and Register of NPLE with the Registry Agency on 7 February 2020. On 25 March 2020 he was appointed as Chief Executive Officer.
- The circumstance that Mr Nedelcho Nedelchev was no longer member of the Bank's Managing Board and Chief Financial Officer was registered in the Commercial Register and Register of NPLE on 14 April 2020 after approval from the Bulgarian National Bank.
- The circumstance that Mr Jivko Todorov was no longer member of the Bank's Managing Board was registered in the Commercial Register and Register of NPLE on 22 April 2020 after approval from the Bulgarian National Bank.
- Ms Ralitsa Bogoeva (Executive Director) was appointed as member of the Bank's Managing Board and Executive Director after approval from the Bulgarian National Bank; she has been performing these functions since this circumstance was listed in the Commercial Register and Register of NPLE with the Registry Agency on 29 May 2020.
- Mr Ianko Karakolev (Managing Board member) was appointed as member of the Bank's Managing Board after approval from the Bulgarian National Bank; he has been performing this function since this circumstance was listed in the Commercial Register and Register of NPLE with the Registry Agency on 25 June 2020.

Supervisory Board

- Mr Evgeni Lukanov – Supervisory Board chairperson
- Mr Jordan Skortchev – Supervisory Board member
- Mr Georgi Mutafchiev - Supervisory Board member (deceased on 03.07.2021, delisted as member on 13.12.2021)
- Ms Radka Mineva – Supervisory Board member

- Ms Maya Georgieva – Supervisory Board member
- Mr Jyrki Koskelo – Supervisory Board member

At 31 December 2021 the total number of employees was 2,466 (31 December 2020: 2,524).

The Bank's beneficial owners are disclosed in Note 31 below.

The consolidated financial statements of the Bank as at and for the year ended 31 December 2021 comprise the Bank and its subsidiaries (see note 36), together referred to as the "Group".

The Group has foreign operations in Cyprus (Cyprus Branch) and Albania (subsidiary).

The Group has not changed its name during the year ending 31 December 2021

(b) Statement of compliance

The financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Commission.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2 (p).

(c) Presentation

The financial statements are presented in Bulgarian Leva (BGN) rounded to the nearest thousand.

The financial statements are prepared in accordance with the fair value principle of derivative financial instruments, financial instruments recognised at fair value in profit or loss, investment properties, as well as assets recognised at fair value in other comprehensive income. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost convention.

(d) New standards, amendments and interpretations effective as of 01 January 2020

The following amendments to existing standards issued by the International Accounting Standards Board are effective for the current period:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)
- Definition of Material – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020)
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020)
- Definition of a Business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions that occur on after the beginning of the annual reporting period beginning on or after 1 January 2020).
- Amendment to IFRS 16 Leases – Covid-19-Related Rent Concessions (issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020)

The adoption of these amendments to the existing standards has not led to any changes in the Group's accounting policies.

(e) Documents issued by IASB/IFRICs not yet endorsed by the European Commission

These new or revised standards, new interpretations and amendments to existing standards that at the reporting date are already issued by the International Accounting Standards Board have not yet been endorsed by the EU and therefore are not taken into account by the Company in preparing these financial statements.

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, effective as of 1 January 2023, not yet adopted by the EU.
- Amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2: Disclosure of Accounting Policies, effective as of 1 January 2023, not yet adopted by the EU.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimate, effective as of 1 January 2023, not yet adopted by the EU.
- Amendments to IAS 12 Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction, effective as of 1 January 2023, not yet adopted by the EU.

2. Significant accounting policies

(a) Income recognition

(i) Interest income and expense

Interest income and expense is recognised in the profit or loss as it accrues, taking into account the effective yield of the asset (liability) or an applicable floating rate. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received as well as discount and premiums which are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income is calculated by applying the effective interest rate on the gross value of the financial asset, except for impaired assets for which the effective interest rate is applied to the amortised cost of the financial asset.

(ii) Fees and Commissions

Fee and commission income arises on financial services provided by the Group and is recognised in profit or loss when the corresponding service is provided.

(iii) Net trading income

Net gains (losses) on financial assets and liabilities held for trading includes those gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading as well as trading income in dealing with foreign currencies and exchange differences from daily revaluation of the net open foreign currency position of the Group.

(iv) Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

(b) Basis of consolidation

(i) Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Negative goodwill arising on acquisition is re-assessed and any excess remaining after the reassessment is recognised in the income statement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(ii) Non-controlling interest

Non-controlling interest is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss; they are recognised directly in equity.

(iii) Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group income, expenses, balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Bulgarian leva, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Foreign currency differences arising on translation are difference between amortised cost in functional currency in the beginning of period, adjusted with effective interest and received payments during the period, and amortised cost in foreign currency at the spot exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined.

(iii) Foreign operations

The assets and liabilities of foreign operations are translated to Bulgarian leva at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Bulgarian leva at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income. The functional currency of the foreign operations in Cyprus is determined by the management to be the Euro. The functional currency of the foreign operations in Albania is determined by the management to be the Albanian Lek.

(d) Financial assets

(i) Recognition

The Group recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Group initially recognizes trade and other receivables on the date of transaction. Advances to customers are recognised when cash is advanced to the borrowers. At initial recognition, the Bank measures all financial assets at fair value plus, in the case of financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

The Group classifies financial assets in the following categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss. Management determines the classification of investments at initial recognition according to the business model for management of the specific class of financial assets and the contractual features of the cash flows associated with that financial asset.

(ii) Financial assets at amortised cost

Debt instruments held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows and where the contractual cash flows give rise only to principal and interest payments are recognised at amortised cost. After the initial recognition assets are booked at amortised cost.

Recognition at amortised cost requires application of the effective interest rate method. The amortised cost of a financial asset is the value at which the financial asset was initially recognised, minus the principal repayments plus or minus the amortisation accrued by using the effective interest rate method for each difference between the initial value and the value at the maturity date and minus impairment.

(iii) Financial assets at fair value through other comprehensive income

Debt instruments held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows or to sell the asset and where the contractual cash flows give rise only to principal and interest payments are recognised at fair value in other comprehensive income. After initial recognition, the asset is measured at fair value with changes in fair value in revaluation reserve of investments in securities (other comprehensive income). When the debt instrument is written off, the profit or loss accrued and recognised in other comprehensive income is transferred to profit or loss.

(iv) Financial assets at fair value through profit or loss

The position contains two categories: financial assets held for trading and financial assets not classified in the above two categories. A financial asset is classified in this category if it was acquired for the purpose of short-term sale or if its contractual characteristics do not meet the requirement for generating payments of only principal and interest. Derivatives are also categorised as held for trading unless they are designated as hedges.

The Group does not designate any debt instrument as at fair value through profit or loss to remove or significantly reduce an accounting mismatch.

(v) Capital instruments at fair value through other comprehensive income

The Group may make an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. When the equity instrument is written off, the profit or loss accrued and recognised in other comprehensive income is directly transferred to other reserves and retained earnings.

(vi) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Group which holds portfolios of financial assets and financial liabilities is are exposed to market risk and credit risk. If the Group manages these portfolios on the basis of its net exposure either to market risk or credit risk, the fair value is measured on the basis of a price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers these rights in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred to the buyer. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers financial assets recognised in its statement of financial position, but retains either all or substantially all risks and rewards of the transferred asset. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised in the statement of financial position (an example of such transactions are repo deals).

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which, control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks and short-term highly liquid accounts and advances to banks with original maturity of up to three months.

(f) Investments

Investments that the Group holds for the purpose of short-term profit taking or repurchases are classified as financial assets for trading. Investments in debt instruments held by the Group as part of a business model for the purpose of collecting contractual cash flows are classified as financial assets at amortised cost. Investments in debt instruments held by the Group as part of a business model for the purpose of collecting contractual cash flows and sale are classified as financial assets at fair value in other comprehensive income. All other investments, including those whose contractual terms do not meet the requirement for generation of only principal and interest payments are classified as recognised at fair value in profit or loss.

(g) Securities borrowing and lending business and repurchase transactions

(i) Securities borrowing and lending

Investments lent under securities lending arrangements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for assets held for trading or available-for-sale as appropriate. Cash collateral received in respect of securities lent is recognised as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense.

(ii) Repurchase agreements

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised.

The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale are reported as liabilities to either banks or other customers.

The difference between the purchase (sale) and resell (repurchase) considerations is recognised on an accrual basis over the period of the transaction and is included in interest income (expenses).

(h) Borrowings

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognized in profit or loss over the period of the borrowings using the effective yield method.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in other operating income.

(i) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(j) Impairment of financial assets

The Group recognizes 12-month expected credit loss as loss allowance when there is no significant increase in the credit risk since initial recognition. When there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as loss allowance.

Whether credit risk is significantly increased or not is determined based on the following factors and events for the debtor or the exposure:

- Internal behavioural scoring of natural persons, companies and institutions whose exposures are above the threshold for significance;
- Decrease in credit rating (internal or external) by a given number of notches for companies and institutions whose exposures are above the threshold for significance.
- Delinquencies;
- Other factors.

(k) Property and equipment

Land and buildings are presented in the statement of financial position at their revalued amount which is the fair value of the asset as at the date of revaluation less any subsequent amortisation and depreciation and accumulated impairment losses. All others classes of items of property, plant and equipment are stated in the statement of financial position at their acquisition cost less accumulated depreciation and allowance for impairment.

Depreciation is calculated on a straight-line basis at prescribed rates designed to decrease the cost or valuation of fixed assets over their expected useful lives. The annual rates of amortisation are as follows:

Assets	%
• Buildings	3 - 4
• Equipment	10 - 50
• Fixtures and fittings	10 - 15
• Motor vehicles	10 - 20
• Leasehold Improvements	2 - 50

Assets are not depreciated until they are brought into use and transferred from assets in the course of construction into the relevant asset category.

(l) Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on a straight-line basis over the expected useful life of the asset. The annual rates of amortisation are as follows:

Assets	%
• Licenses and trademarks	10 – 14
• Software and licences	10 – 50

(m) Investment Property

Investment property is property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both. The Bank has chosen for its accounting policy to account for investment property using the fair value model and applies this to all its investment property. Investment properties are initially measured at cost and are subsequently measured using the fair value model, and the revaluation income and expense is recognised in the profit for period in which they occurred. The reclassification of repossessed assets reported as inventories into investment properties is possible only where a contract to rent out the respective property has been signed. The fair value of assets constituting investment property was determined by independent property assessors holding recognised professional qualification and recent experience in assessing property with similar location and category, using reliable techniques for determining fair values.

(n) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable assessment of the amount due can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Acceptances

An acceptance is created when the Group agrees to pay, at a stipulated future date, a draft drawn on it for a specified amount. The Group's acceptances primarily arise from documentary credits stipulating payment for the goods to be made a certain number of days after receipt of required documents. The Group negotiates most acceptances to be settled at a later date following the reimbursement from the customers. Acceptances are accounted for as liabilities evidenced by paper.

(p) Off-balance sheet commitments

In the ordinary course of its business, the Group enters into off-statement of financial position commitments such as guarantees and letters of credit. The Group recognizes provision for off-statement of financial position commitments when it has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and when a reliable estimate can be made of the obligation.

(q) Taxation

Tax on the profit for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the statement of financial position date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously recognised either in other comprehensive income or directly in equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information on the valuations and the valuation uncertainty, for which there is a significant risk of change as of 31 December 2021 are stated below and are related to the impairment of financial instruments, income tax and the following notes related to other elements of the financial statements:

- Note 5, 19 - determining of the fair value of the financial instruments, land and buildings through valuation techniques, in which the input data for the financial assets and liabilities are not based on the available market information. The Management uses valuation techniques for the fair value of financial instruments (when there is no quoted price in an active market) and non-financial assets. In applying the valuation techniques, the Management uses to a maximum degree market data and assumptions which market participants would take into account in pricing an instrument. When there is no available market data, the Management uses its best judgement of the assumptions that market participants would make. These judgements may differ from the actual prices that may be determined in a fair market transaction between informed and willing parties at the end of the reporting period.
- Notes 11, 16, 18 – measuring the expected credit loss – credit losses constitute the difference between all contractual cash flows payable to the Bank and all cash flows which the Bank expects to receive. Expected credit loss is the probability-weighted estimate of credit losses which require the Group's judgement. Expected credit loss is discounted with the initial effective interest rate (or with the loan-adjusted effective interest rate for purchased or initially created financial assets with credit impairment).
- Notes 16, 18 – debt instruments at amortised cost – the analysis and intentions of the Management are confirmed by the business model of holding debt instruments that meet the requirements for receiving only principal and interest payments and holding assets until collecting the contractual cash flows from the bonds which are classified as debt instruments at amortised cost.
- Note 24 – Lease contract term – in determining the lease contract term the Management takes into consideration all facts and circumstances that create economic incentives for exercising the option to extend the lease, or not to exercise the option to terminate the lease. Extension options (or the periods after termination options) are included in the lease contract term only if it is reasonably certain that the lease contract has been extended (or has not been terminated).
- Note 30 – in accordance with IAS 37 — Provisions, Contingent Liabilities and Contingent Assets and the internal rules for setting aside provisions for pending court cases the Group has recognised provisions for pending court cases. The Group is a defendant in pending cases and the outcome of those cases may lead to liabilities in an amount different from the amount of provisions recognized in the financial statement.

(i) Assessment of repossessed assets from collaterals

Assets accepted as collateral are recognized at the lower of the cost of acquisition and the net realizable value. When evaluating the net realizable value of the assets the Bank prepares several models for appraisal (e.g. discounted cash flows) and makes comparison to available market data (e.g. similar market transactions, offers from potential buyers).

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for the Bank's ordinary shares. Basic EPS is calculated by dividing the profit or loss for the period attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(t) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. The Bank's contributions to the defined contribution pension plan are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The Bank has an obligation to pay certain amounts to each employee who retires with the Bank in accordance with Art. 222, § 3 of the Labour Code.

According to these regulations in the LC, when a labour contract of a bank's employee, who has acquired a pension right, is ended, the Bank is obliged to pay him compensations amounted to two gross monthly salaries. Where the employee has been with the same employer for the past 10 years, this employee is entitled to a compensation amounting to six gross monthly salaries. As at balance sheet date, the Management of the Bank estimates the approximate amount of the potential expenditures for every employee using the projected unit credit method.

For the last two years the Bank has prepared estimates for the due provisions for pensions and has not identified significant liabilities.

Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. The Group recognises as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

(u) Insurance Contracts

Classification of insurance contracts

Contracts in which the Group undertakes significant insurance risk of a third party (insured party) through compensation to the insured party or another beneficiary in case of a specific uncertain future event (insured event) which has a negative impact on the insured party or the beneficiary, are classified as insurance contracts.

Insurance risk is every risk, which is not financial risk. Financial risk is any risk related to probable future change in one or several of the following: interest, price of the security, market prices, currency prices, credit rating, credit index or other variable- if there are the non-financial variables, the variable is not specific for the counterparties. Insurance contracts may also transfer part of the financial risk.

Written premiums

Written premiums are recognized as income on the basis of the due premium from the insured individuals for the underwriting year, which begins during the financial year, or the due single premium instalment for the total period of insurance coverage of the insurance contracts signed within the financial year. Gross written premiums are not recognized when future cash flows related to them are not guaranteed. Written premiums are presented gross of the due agents' commissions.

Reversed premiums

Reversed insurance premiums are insurance premiums for which there has been a violation of the General terms of the insurance contract or a change in the terms of the contract. Reversed premiums within the current year, related to policies written within the current year, decrease the Gross Written Premiums of the Group. Reversed premiums within the current year, related to policies written within the previous year, increase the Gross Written Premiums of the Group.

Unearned-premium reserve

The unearned premium reserve is formed to cover the claims and administrative expenses, which are expected to arise on the respective type of insurance contract after the end of the reporting period. The basis for calculation of the unearned premium reserve corresponds to the base for recognition of the Group's written premiums.

The amount of the reserve is calculated under the precise day method, under which the premium is multiplied with a coefficient for deferral. The coefficient for deferral is calculated as a ratio between the number of the days within the following reporting period during which the contract is valid to the total number of days during which the contract is valid.

Unexpired risk reserve

Unexpired risk reserve is formed to cover risks for the period between the end of reporting period and the date on which the insurance contract expires in order to cover the payments and expenses related to these risks which are expected to exceed the UPR formed.

Claims incurred

Claims incurred include claims paid and claims-handling expenses due within the financial year including the change in outstanding claims reserve.

Outstanding claims reserve

Outstanding claims reserve is calculated on the basis all claims from events incurred within the current and previous reporting periods, which have not been paid as of year-end. OCR also includes the total amount of incurred but not reported claims (IBNR), calculated as a percentage from the earned premiums for the financial year and the incurred claims.

Acquisition costs

Acquisition costs include accrued commission expense from agents and brokers.

(v) Leases

(i) The Company as lessee

For new contracts concluded on or after 1 January 2019 the Group assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an asset (the identified asset) for a period of time in exchange for consideration. In order to apply this definition, the Group assesses three key elements:

- Whether the contract refers to an identified asset which is either explicitly specified in a contract, or implicitly specified at the time that the asset is made available for use;
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, within the scope of its right of use defined in the contract;
- The Group has the right to direct the use of the identified asset throughout the period of use.

The Group assesses whether it has the right to direct how and for what purpose the asset will be used throughout the period of use.

Assessment and recognition of leases by the Group as lessee

On the commencement date of the lease contract the Group recognises the right-of-use asset and the lease liability in the statement of financial position. The right-of-use asset is assessed at cost which comprises the amount of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset at the end of the lease contract, and any lease payments made at or before the commencement date (less any lease incentives received).

The Group depreciates the right-of-use asset using the linear method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also reviews the right-of-use assets for impairment, where such indicators exist.

On the commencement date of the lease contract the Group measures the lease liability at the present value of the remaining lease payments at that date, discounted using the borrowing rate stipulated in the lease contract, if that rate can be readily determined, or the company’s incremental borrowing rate.

As of 01.01.2019 the Group applies IFRS 16 Leases. To this end, an analysis was made of the requirements of this Standard, and the following key elements were identified:

IFRS 16 Leases introduces new rules for reporting lease agreements. First of all, the standard requires that an analysis be made of whether and which agreements with or without the legal form of lease constitute a lease or contain lease components in accordance with the definition of lease contained in IFRS 16, paragraph 9. According to Paragraph 9, a contract is, or contains, a lease if:

– there is an identified asset, and

– the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration.

In the general case, the lessee is required recognise a right-of-use asset and a lease liability at the commencement date.

Also, instead of applying the requirements for recognition of a right-of-use asset in return for consideration under a lease contract, the lessee may choose to report lease contracts as an expense under the linear method for the duration of the lease in the following types of contracts:

– ending within 12 months of the date of initial application of IFRS 16

– lease of low-value assets

In the process of assessing the effects of application of this Standard, the Group did the following:

- Full review of all agreements was made in order to establish whether it may be necessary to consider additional agreements as lease agreements according to the new IFRS 16 definition;

- A decision was made for partial retrospective application (which means that the comparative information will not be changed). Under the modified approach it is possible not to assess whether existing agreements contain leases and other relief. Under the modified approach it is possible not to assess whether existing agreements contain leases and other relief.

The Management analysed the effect of application of the Standard for contracts expected to last up to five years because a big part of the rental agreements to which the Group is a party as a tenant, the Group can terminate after a three- or six-months' notice without owing an indemnity. Even in the other contracts this possibility is available in accordance with the law.

This reflects on the expected actual duration of the lease because the contract term depends on the probability that the Group would exercise that option. With relation to this the Group considers that a duration of five years is indicative of the maximum duration of the lease term, irrespective of whether contracts of longer duration exist or not.

In order to determine the incremental borrowing rate, the Group uses an interest rate consisting of the risk-free interest rate and a surcharge reflecting the credit risk related to the Group and additionally adjusted for the specific conditions of the lease contract, including term, country, currency, and collateral.

Lease payments included in measuring the lease liability comprise fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, and the exercise price of a purchase option if the Group is reasonably certain to exercise that option.

After the commencement date, the lease liability shall be decreased with the amount of payments made and shall be increased with the amount of the interest. The lease liability is remeasured to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

When the lease liability is remeasured, the amount of the remeasurement is recognised in the right-of-use asset or in profit or loss, if the carrying amount of the right-of-use asset is already reduced to zero.

The Group has chosen to report short-term leases and leases of low-value assets by using practical expedients envisaged in the standard. Instead of recognising right-of-use assets and lease liabilities, the Bank recognizes the payments related to them as an expense in profit or loss using the linear method during the lease term.

In the statement of financial position, right-of-use assets are presented on a separate row "Right-of-use assets", and the liabilities under lease contracts are also presented on a separate row - "Lease liabilities".

Extension options or termination options are included in a number of the Group's property rentals. They are used to increase the operative flexibility in the management of assets used in its operations.

(ii) The company as lessor

The portion of IFRS 16 which concerns the Group as lessor no significant changes were found in comparison to the previous IAS 17. The Group classifies a lease contract as a finance lease if it has transferred substantially all risks and rewards related to ownership of the asset subject to the lease. All other lease contracts are classified as operating.

In case of a finance lease, the Group recognises as asset a receivable under the contract in an amount equal to the net investment in the lease. During the lease term the Group recognizes interest income on the amount receivable at an interest rate reflecting the return rate of the net investment in the lease.

In case of operating lease, the Group recognises lease payments as revenue on a linear basis.

As lessor, the Group classifies each of its lease contracts as either an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

3. Risk management disclosures

A. Trading activities

The Group maintains active trading positions in a limited number of non-derivative financial instruments. Most of the Group's trading activities are customer driven. In anticipation of customer demand, the Group carries an inventory of money market instruments and maintains access to market liquidity by trading with other market makers. These activities constitute the proprietary trading business and enable the Group to provide customers with money market products at competitive prices.

The Group manages its trading activities by type of risk involved and on the basis of the categories of trading instruments held.

(i) Credit risk

Credit risk is the total risk of losses from positions in financial instruments as a result of the inability of one or more parties to the exposure to meet their obligations. Main components of credit risk:

1) Default risk

The risk that issuers to financial instruments might default on their obligations.

2) Counterparty credit risk

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. It occurs under transactions with derivatives, repo deals, transactions for granting/receiving a loan of securities and goods, margin lending transactions and extended settlement transactions.

3) Settlement risk

To the Bank settlement risk is the risk of unsettled transactions with securities, goods or cash. It occurs both under transactions with settlement of services of the "delivery versus payment" (DvP) type, and under trade without DvP ("free deliveries"). All instruments exposed to counterparty credit risk fall within the scope of this type of risk.

Credit risk is monitored on an ongoing basis subject to Bank's internal risk management procedures and is controlled through minimum thresholds for the credit quality of the issuer/counterpart and setting limits on exposure amount according to credit quality.

(ii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions. The Bank assumes market risk when taking positions in debt instruments, equities, derivatives and foreign exchange transactions. These risks are managed by enforcing limits on positions taken and their risk sensitivities as measured by value-at-risk, duration or other measures appropriate for particular position in view of its sensitivity to risk factors. The major risk factors that affect trading activities based on the recognition of premium income in the annual financial statements if the Group are changes of interest rates (interest rate risk), changes of exchange rates (foreign exchange risk) and changes of equity prices (price risk).

Exposure to market risk is formally managed in accordance with risk limits set by senior management and the adopted risk strategy.

The Value at Risk is calculated and monitored on a daily basis as part of the Bank's ongoing risk management. Value at risk is calculated using one day horizon and 99 per cent confidence level, meaning that there is 1% probability that a portfolio will incur a loss in one day greater than its VaR. Parameters of the VaR model are estimated on the basis of exponentially weighted historical price changes of risk factors.

The following table summarises the range of interest VaR for all positions in the Bank's trading portfolio carried at fair value:

in thousands of BGN	31 December 2021	2021 г.			31 December 2020
		average	low	high	
VaR	0.0	0.4	0.0	38.4	0.0

B. Non-trading activities

Below is a discussion of the various risks the Group is exposed to as a result of its non-trading activities and the approach taken to manage those risks.

(i) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturity and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame to meet the liability obligations.

Funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper, subordinated debt instruments and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Group makes its best efforts to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturity. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy. The body managing liquidity is the Assets, Liability and Liquidity Management Council.

In compliance with the requirements of the Law on Credit Institutions, Ordinance No 7 of BNB for the organization and management of risks in banks and Directive 2014/59 / EU of the European Parliament and of the Council for establishing a framework for the recovery and resolution of credit institutions and investment firms, First Investment Bank AD prepared a recovery plan if financial difficulties occur. It includes qualitative and quantitative early warning signals and indicators of recovery such as capital and liquidity indicators, income indicators, market-oriented indicators upon the occurrence of which recovery measures are triggered.

Liquidity indicators include Liquidity Coverage Ratio (LCR); net withdrawal of financing; liquid assets to deposits by non-financial customers ratio; Net Stable Funding Ratio (NSFR). Different stress test scenarios related to idiosyncratic shock, system shock and aggregate shock have been prepared.

In case of liquidity pressure, there are systems in place to ensure prompt and adequate reaction which include obtaining additional funds from local and international markets through issuance of appropriate financial instruments depending on the specific case as well as sale of non-liquid assets. The levels of decision making are clearly determined. In order to reduce the liquidity risk, preventive measures have been taken aimed to extend the maturity of borrowings from customers, to encourage long-term relationships with clients and to increase customer satisfaction. In order to adequately manage liquidity risk, the Bank monitors cash flows on a daily basis.

As part of the liquidity risk management, the Group keeps available liquid assets. They consist of cash, cash equivalents and government securities, which could be sold immediately in order to provide liquidity:

Liquid assets	**2021**	**2020**
In BGN '000		
Balances with BNB	1,455,038	1,611,383
Current accounts and amounts with other banks	505,826	536,182
Unencumbered government securities	974,719	797,949
Gold	2,818	2,661
Total liquid assets	**2,938,401**	**2,948,175**

Reasonable liquidity management requires avoidance of concentration of the borrowings from large depositors. Analysis of the significant borrowings in terms of total amount is performed on a daily basis and the diversity of the total liabilities portfolio is supervised.

As at 31 December 2021 the thirty largest non-bank unguaranteed depositors represent 7.40% of total deposits from other customers (31 December 2020: 5.88%).

One of the main ratios used by the Group for managing liquidity risk is the ratio of liquid assets to total borrowings from other clients.

	31 December 2021	31 December 2020
Ratio of liquid assets to total borrowings from other clients	29.46%	30.90%

The following table provides an analysis of the financial assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment.

Maturity table as at 31 December 2021

in thousands of BGN	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	More than 1 year	Maturity not defined Indefinite Maturity	Total
Assets						
Cash and balances with Central Banks	1,970,814	-	-	-		**1,970,814**
Financial assets at fair value through profit or loss	244,379	-	-	-	24,359	**268,738**
Financial assets at fair value through other comprehensive income	1,088,905	-	-	-	-	**1,088,905**
Financial assets at amortised cost	-	-	-	316,139	-	**316,139**
Loans and advances to banks and other financial institutions	77,836	5,909	963	2,748	-	**87,456**
Loans and advances to customers	775,717	162,175	1,102,093	4,613,959	-	**6,653,944**
Other trading assets	1,042	-	-	-	-	**1,042**
Total financial assets	**4,158,693**	**168,084**	**1,103,056**	**4,932,846**	**24,359**	**10,387,038**
Liabilities						
Due to banks	8,722	-	-	-	-	**8,722**
Due to other customers	5,891,987	1,145,143	2,320,041	616,460	-	**9,973,631**
Liabilities evidenced by paper	5,780	42,839	3,992	67,391	-	**120,002**
Financial liabilities at fair value through profit or loss	-	-	-	2,164	-	**2,164**
Subordinated term debt	-	-	-	9,622	-	**9,622**
Hybrid debt	-	-	-	-	320,733	**320,733**
Other financial liabilities, net	(81)	2,853	(606)	-	-	**2,166**
Total financial liabilities	**5,906,408**	**1,190,835**	**2,323,427**	**695,637**	**320,733**	**10,437,040**
Net liquidity gap	**(1,747,715)**	**(1,022,751)**	**(1,220,371)**	**4,237,209**	**(296,374)**	**(50,002)**

The table shows investments at fair value through other comprehensive income with a maturity of up to 1 month in order to reflect the management's ability to sell them within a short-term period, if needed.

The Group does not recognize as liquidity risk the current undrawn amounts of loans extended because the management considers that, based on the agreed conditions, the Bank can at any time terminate the extension of funds to its borrowers in case it is expected that their credit risk will increase.

Loans and advances to customers reflect also financial lease receivables.

Maturity table as at 31 December 2020

in thousands of BGN	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	More than 1 year	Maturity not defined Indefinite Maturity	Total
Assets						
Cash and balances with Central Banks	2,133,197	-	-	-	-	**2,133,197**
Financial assets at fair value through profit or loss	243,846	-	-	-	23,083	**266,929**
Financial assets at fair value through other comprehensive income	825,882	-	-	-	-	**825,882**
Financial assets at amortised cost	-	-	-	199,830	-	**199,830**
Loans and advances to banks and other financial institutions	85,849	4,387	755	15,120	-	**106,111**
Loans and advances to customers	819,458	218,111	776,001	4,499,317	-	**6,312,887**
Other trading assets	724	-	-	4,386	-	**5,110**
Total financial assets	**4,108,956**	**222,498**	**776,756**	**4,718,653**	**23,083**	**9,849,946**
Liabilities						
Due to banks	2,747	-	-	-	-	**2,747**
Due to other customers	5,148,701	1,136,114	2,574,551	682,910	-	**9,542,276**
Liabilities evidenced by paper	8	20	3,857	99,764	-	**103,649**
Subordinated term debt	-	-	-	9,623	-	**9,623**
Hybrid debt	-	-	-	-	267,579	**267,579**
Other financial liabilities, net	104	306	-	-	-	**410**
Total financial liabilities	**5,151,560**	**1,136,440**	**2,578,408**	**792,297**	**267,579**	**9,926,284**
Net liquidity gap	**(1,042,604)**	**(913,942)**	**(1,801,652)**	**3,926,356**	**(244,496)**	**(76,338)**

The following table provides a remaining maturities analysis of the financial assets and liabilities of the Group as at 31 December 2021 based on the contractual undiscounted cash flows.

in thousands of BGN	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	More than 1 year	Total
Financial assets					
Cash and balances with Central Banks	1,970,814	-	-	-	**1,970,814**
Financial assets at fair value through profit or loss	268,738	-	-	-	**268,738**
Financial assets at fair value through other comprehensive income	1,088,905	-	-	-	**1,088,905**
Financial assets at amortised cost	49,884	97,804	-	170,666	**318,354**
Loans and advances to banks and other financial institutions	77,836	5,909	963	2,748	**87,456**
Loans and advances to customers	755,949	159,703	1,109,144	5,505,204	**7,530,000**
Total financial assets	**4,212,126**	**263,416**	**1,110,107**	**5,678,618**	**11,264,267**
Financial liabilities					
Due to banks	8,722	-	-	-	**8,722**
Due to other customers	5,892,071	1,145,286	2,321,131	617,857	**9,976,345**
Liabilities evidenced by paper	5,782	42,910	4,008	69,965	**122,665**
Financial liabilities at fair value through profit or loss	-	-	-	2,164	**2,164**
Subordinated term debt	-	-	376	11,141	**11,518**
Hybrid debt	-	-	227,406	138,137	**365,542**
Total financial liabilities	**5,906,575**	**1,188,196**	**2,552,921**	**839,264**	**10,486,956**
Derivatives held for risk management					
Outgoing cash flow	52,622	-	-	-	**52,622**
Incoming cash flow	50,023	639	606	-	**51,268**
Cash flow from derivatives, net	(2,599)	639	606	-	**(1,354)**

The following table provides a remaining maturities analysis of the financial assets and liabilities of the Group as at 31 December 2020 based on the contractual undiscounted cash flows.

in thousands of BGN	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	More than 1 year	Total
Financial assets					
Cash and balances with Central Banks	2,133,197	-	-	-	**2,133,197**
Financial assets at fair value through profit or loss	266,929	-	-	-	**266,929**
Financial assets at fair value through other comprehensive income	825,882	-	-	-	**825,882**
Financial assets at amortised cost	-	-	39,150	166,008	**205,158**
Loans and advances to banks and other financial institutions	85,849	4,387	755	15,120	**106,111**
Loans and advances to customers	800,971	216,457	773,023	5,393,518	**7,183,969**
Total financial assets	**4,112,828**	**220,844**	**812,928**	**5,574,646**	**10,721,246**
Financial liabilities					
Due to banks	2,747	-	-	-	**2,747**
Due to other customers	5,148,965	1,136,589	2,578,545	688,085	**9,552,184**
Liabilities evidenced by paper	8	20	3,875	103,030	**106,933**
Subordinated term debt	-	-	376	11,518	**11,894**
Hybrid debt	-	-	27,577	291,236	**318,813**
Total financial liabilities	**5,151,720**	**1,136,609**	**2,610,373**	**1,093,869**	**9,992,571**
Derivatives held for risk management					
Outgoing cash flow	2,587	308	-	46,923	**49,818**
Incoming cash flow	733	1	-	48,896	**49,630**
Cash flow from derivatives, net	(1,854)	(307)	-	1,973	**(188)**

The expected cash flows of the Bank from some financial assets and liabilities are different from the cash flows as per the loan contract. The main differences are:

- There is an expectation that the deposits on demand and term deposits will remain stable and will increase.
- Retail mortgages have original maturity of 18 years on average, but the expected average effective maturity is 12 years as some clients take advantage of the early repayment possibility.

(ii) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts.

Interest rate risk in the banking book (IRRBB)

In the case of floating rate assets and liabilities the Bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the Bulgarian Basic Interest Rate, the LIBOR and EURIBOR, although these indices tend to move in high correlation. In addition, the actual effect will depend on a number of other factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

In order to quantify the interest rate risk of its non-trading activities, the Bank measures the impact of a change in the market rates both on net interest income and on the Bank's economic value defined as the difference between fair value of assets and fair value of liabilities.

The interest rate risk on the economic value of the Group following a standardised shock of +100bp/-100bp as at 31 December 2021 is BGN +12 276/+36 424 thousands

The interest rate risk on the Bank's net interest income one year forward following a standardised shock of +100bp/-100bp as at 31 December 2021 is BGN -1,573/+572 thousand.

Effect in BGN '000	**Net interest income**		**Equity**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 December 2021				
as at 31 December	(1,573)	572	12,276	35,424
Average for the period	(1,519)	921	3,343	43,614
Maximum for the period	140	1,630	12,276	59,165
Minimum for the period	(2,672)	(99)	(3,146)	28,159
31 December 2020				
as at 31 December	745	(474)	19,761	11,949

Credit Spread Risk in the Banking Book (CSRBB)

The risk arising from changes in market perception regarding the price of credit risk, the liquidity premium and other potential components of credit risk instruments that cause fluctuations in the price of credit risk, the liquidity premium and other potential components, which is not explained by IRRBB or by the expected credit / (jump to-) default risk. Only those instruments in the bank's book which are reported at market value are subject to credit spread risk.

Similar to the interest rate risk arising from non-trading book activities, for credit spread risk the Bank calculates the risk arising from potential changes in two aspects: how it affects net interest income and how it affects the Bank's economic value.

The applicable stress test scenarios were calibrated with 99% confidence level compared to the historically observed changes. Shocks vary depending on the maturity of cash flows and the issuer's credit rating.

The effect on the Group's economic value as at 31 December 2021 amounted to BGN (40,727) thousand, and the effect on the net interest income amounted to BGN 336 thousand.

Effect in BGN '000	**Net interest income**	**Equity**
2021		
as at 31 December	336	(40,727)
Average for the period	564	(38,564)
Maximum for the period	788	(35,738)
Minimum for the period	413	(42,154)
2020		
as at 31 December	294	(30,281)

The following table indicates the effective interest rates at 31 December 2021 and the periods in which financial liabilities and assets reprice.

in thousands of BGN	Total	Floating rate instru-ments	Fixed rate instruments			
			Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year
Assets						
Cash and balances with Central Banks	**821,327**	762,358	53,101	-	5,868	-
Financial assets at fair value through profit or loss	**239,883**	-	239,883	-	-	-
Financial assets at fair value through other comprehensive income	**1,088,904**	26,014	1,062,890	-	-	-
Financial assets at amortised cost	**316,139**	-	52,166	97,655	1,765	164,553
Loans and advances to banks and other financial institutions	**24,727**	13,089	11,638	-	-	-
Loans and advances to customers	**5,893,880**	5,422,610	24,264	20,076	103,640	323,290
Total interest-bearing assets	**8,384,860**	**6,224,071**	**1,443,942**	**117,731**	**111,273**	**487,843**
Liabilities						
Due to banks	**8,722**	1,847	6,875	-	-	-
Due to other customers	**9,950,042**	4,248,206	1,621,634	1,145,143	2,320,041	615,018
Liabilities evidenced by paper	**117,363**	95,035	5,776	8,582	-	7,970
Subordinated term debt	**9,622**	-	-	-	38	9,584
Hybrid debt	**372,906**	-	-	-	-	372,906
Total interest-bearing liabilities	**10,458,655**	**4,345,088**	**1,634,285**	**1,153,725**	**2,320,079**	**1,005,478**

The following table indicates the effective interest rates at 31 December 2020 and the periods in which financial liabilities and assets reprice.

in thousands of BGN	Total	Floating rate instru-ments	Fixed rate instruments			
			Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year
Assets						
Cash and balances with Central Banks	**578,072**	561,491	16,581	-	-	-
Financial assets at fair value through profit or loss	**239,537**	-	239,537	-	-	-
Financial assets at fair value through other comprehensive income	**825,882**	24,011	801,871	-	-	-
Financial assets at amortised cost	**199,830**	-	-	-	39,150	160,680
Loans and advances to banks and other financial institutions	**30,030**	16,198	10,877	-	2,955	-
Loans and advances to customers	**5,597,939**	5,264,311	17,068	19,315	101,495	195,750
Total interest-bearing assets	**7,471,290**	**5,866,011**	**1,085,934**	**19,315**	**143,600**	**356,430**
Liabilities						
Due to banks	**2,747**	945	1,802	-	-	-
Due to other customers	**9,518,132**	3,505,275	1,619,284	1,136,114	2,574,551	682,908
Liabilities evidenced by paper	**103,649**	100,397	-	-	-	3,252
Subordinated term debt	**9,623**	-	-	-	-	9,623
Hybrid debt	**267,579**	-	-	-	-	267,579
Total interest-bearing liabilities	**9,901,730**	**3,606,617**	**1,621,086**	**1,136,114**	**2,574,551**	**963,362**

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk in performing transactions in foreign currencies and foreign-currency denominated financial instruments.

As a result of the currency Board in place in Bulgaria, the Bulgarian currency is pegged to the Euro. As the currency in which the Bank presents it financial statements is the Bulgarian lev, the Group's financial statements are effected by movements in the exchange rates between the Bulgarian lev and currencies other than the Euro.

The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in profit or loss. These exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the presentation currency of the Group. These exposures were as follows:

in thousands of BGN	**2021**	**2020**
Monetary assets		
Euro	4,497,484	4,548,854
US dollar	543,386	579,050
Other	519,260	420,912
Gold	2,818	2,661
Monetary liabilities		
Euro	3,771,479	3,740,051
US dollar	544,057	575,854
Other	449,517	378,172
Gold	2,246	2,172
Net position		
Euro	726,005	808,803
US dollar	(671)	3,196
Other	69,743	42,740
Gold	572	489

In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Group manages foreign currency risk in line with policy that sets limits on currency positions and dealer limits.

(iii) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group is subject to credit risk through its lending activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. The management of the credit risk exposures to borrowers is conducted through regular analysis of the borrowers' credit worthiness and the assignment of a rating grade. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

The table below sets out information about maximum exposure to credit risk:

in thousands of BGN	**Loans and advances to other customers**		**Loans and advances to banks and balances with central banks**		**Investment in debt securities**		**Off balance sheet commitments**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Carrying amount	6,653,944	6,312,887	1,796,271	2,050,211	1,644,876	1,265,249	-	-
Amount committed/ guaranteed	-	-	-	-	-	-	846,337	794,833

The Group's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. These exposures are as follows:

31 December 2021			in thousands of BGN
Class of exposure	**Gross amount of loans and advances to customers**	**Allowance for impairment**	**Carrying amount of loans and advances to customers**
Performing			
Collectively impaired	5,789,680	(81,572)	5,708,108
Nonperforming			
Collectively impaired	235,768	(75,703)	160,065
Individually impaired	1,108,263	(322,492)	785,771
Total	**7,133,711**	**(479,767)**	**6,653,944**

31 December 2020			in thousands of BGN
Class of exposure	**Gross amount of loans and advances to customers**	**Allowance for impairment**	**Carrying amount of loans and advances to customers**
Performing			
Collectively impaired	5,320,585	(77,627)	5,242,958
Nonperforming			
Collectively impaired	252,313	(108,415)	143,898
Individually impaired	1,264,301	(338,270)	926,031
Total	**6,837,199**	**(524,312)**	**6,312,887**

Distribution of trade receivables and impairment as adjustment for financial assets (receivables from customers) according to the requirements of IFRS9:

	31/12/2021		**31/12/2020**	
	Gross amount of loans and advances to customers	**Allowance for impairment**	**Gross amount of loans and advances to customers**	**Allowance for impairment**
Exposures without increase of credit risk after the initial recognition (phase 1)	4,840,376	(15,935)	4,299,116	(14,739)
Exposures with significant increase of credit risk after the initial recognition (phase 2)	949,304	(65,637)	1,021,469	(62,888)
Non-performing (impaired) exposures (phase 3)	1,344,031	(398,195)	1,516,614	(446,685)
Total	**7,133,711**	**(479,767)**	**6,837,199**	**(524,312)**

Exposures classification into risk classes reflects the management's estimate regarding the loans recoverable amounts.

As at 31 December 2021 the gross amount of overdue loans and advances to customers measured as exposures 90+ days overdue is BGN 961,205 thousand (2020: BGN 779,167 thousand).

In addition, the Group is exposed to off-balance sheet credit risk through commitments to extend credits and issue contingent liabilities (See Note 32).

Concentrations of credit risk (whether on or off-balance sheet) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The major concentrations of credit risk arise by location and type of customer in relation to the Bank's investments, loans and advances and off-balance sheet commitments.

Total economic sector credit risk concentrations in loans and advances to customers are presented in the table below:

in thousands of BGN	2021	2020
Trade	784,314	847,347
Industry	1,325,019	1,308,787
Services	668,753	745,050
Finance	179,548	122,506
Transport, logistics	257,355	236,908
Communications	151,715	148,277
Construction	421,176	387,563
Agriculture	243,141	185,157
Tourist services	307,981	285,411
Infrastructure	444,456	425,845
Private individuals	2,338,338	2,132,631
Other	11,915	11,717
Allowance for impairment	(479,767)	(524,312)
Total	**6,653,944**	**6,312,887**

The amounts reflected in the tables represent the maximum accounting loss that would be recognised at the statement of financial position date if counterparts failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for impairment.

The Group has extended loans to enterprises involved in different types of activities but within the same economic sector - industry. As such the exposures share a similar industry risk. There are three such groups of enterprises at 31 December 2021 with total exposures outstanding amounting to BGN 207,934 thousand (2020: BGN 198,704 thousand) - ferrous and non-ferrous metallurgy, BGN 86,060thousand (2020: BGN 85,933thousand) – mining industry and BGN 72,319 thousand (2020: BGN 81,708thousand) - power engineering.

The Group has extended loans, confirmed letters of credit and granted guarantees to 6 individual clients or groups (2020:6) with each individual exposure exceeding 10% of the capital base of the Group, based on the amortised cost of the respective loan facilities and after application of the required regulatory exemptions and techniques for reducing credit risk. The total amount of these exposures was BGN 1,091,472 thousand, i.e. 70.25% of tier 1 capital (2020: BGN 930,420 thousand which represented 59.33% of tier 1 capital).

No loans extended by the branch in Cyprus in 2021, in 2020 loans extended by the branch in Cyprus amount to BGN 1,018 thousand (gross carrying amount before any allowances), for 2021 in Albania amount to BGN 349,691 thousand (2020: BGN 283,149 thousand) gross carrying amount before any allowances)

The Group's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Bank's obligations.

Collateral held against different types of assets:

Type of credit exposure	**Main type of collateral**	**Collateral coverage ratio**	
		2021	**2020**
Repurchase agreements	Tradable securities	99%	97%
Loans and advances to banks	None		-
Mortgage loans	Real estate	263%	270%
Consumer lending	Mortgage, warrant, financial and other collateral	96%	52%
Credit cards	None	-	-
Loans to companies	Mortgage, pledge of enterprise, pledge of long-term tangible assets, pledge of goods, pledge of other short-term tangible assets, financial and other collateral	515%	461%

The table below shows a breakdown of total gross loans and advances (gross balance sheet value) extended to customers by the Group by type of collateral to the amount of the collateral, excluding credit cards in the amount of BGN 167,126 thousand (2020: BGN 179,780 thousand).

In BGN '000	2021	2020
Mortgage	1,923,945	1,826,307
Pledge of receivables	1,986,909	1,808,484
Pledge of commercial enterprise	14,395	17,385
Securities	44,365	61,434
Bank guarantees	3,750	-
Other guaranties	2,627,275	2,587,594
Pledge of goods	7,990	7,410
Pledge of machines	54,917	49,888
Money deposit	96,295	48,330
Stake in capital	-	-
Gold	-	-
Other collateral	-	-
Unsecured	206,744	250,587
Total	**6,966,586**	**6,657,419**

Other collateral includes insurance policies up to the amount of the insurance cover, future receivables, remuneration transfers, etc.

Residential mortgage lending

The table below represents credit exposures from housing and mortgage loans to household customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The gross amount excludes any impairment allowances. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

The table below represents a separation of the gross amount of housing mortgages granted to households according to the LTV ratio.

In BGN '000	2021	2020
Loan to value (LTV) ratio		
Less than 50%	233,969	199,775
51% to 70%	340,022	277,854
71% to 90%	453,506	417,209
91% to 100%	35,421	31,671
More than 100%	90,507	83,394
Total	**1,153,425**	**1,009,903**

Loans to corporate customers

Individually significant loans to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan. However, collateral provides additional security and the Group requests corporate borrowers to provide it. The Group takes collateral in the form of a first charge over real estate, floating charges over all corporate assets, and other liens and guarantees.

The Group routinely analyses collateral for possible changes in value due to market conditions, legal framework or debtor's actions. Where such changes lead to a breach in the requirements for sufficiency of collateral, the Group requires provision of additional collateral within a certain timeframe.

As at 31 December 2021 the net carrying amount of individually impaired loans to corporate customers amounts to BGN 840,810 thousand (2020: BGN 970,113 thousand) and the value of collateral held against those loans amounts to BGN 806,086 thousand (2020: BGN 920,046 thousand).

The Group constantly monitors the risk of default on already given loans and if there is available data for potential or actual problems, the Group prepares an action plan and takes measures for managing the possible unwanted results, including restructuring of the loans

For the purposes of the disclosure in these financial statements "renegotiated loans" are defined as loans, which have been renegotiated as a result of a change in the interest rates, repayment schedule, upon a client request, and others.

Renegotiated Loans

In BGN '000	2021		2020	
Type of renegotiation	**Gross amount of loans and advances to customers**	**Allowance for impairment**	**Gross amount of loans and advances to customers**	**Allowance for impairment**
Loans to individuals	**233,554**	**8,552**	**397,971**	**10,898**
Change of maturity	119,847	6,133	123,189	5,562
Change of amount of instalment	-	-	18,319	548
Change of interest rate	7,991	9	5,839	17
Change due to customers request	47,386	171	32,993	30
Other reasons	58,330	2,239	217,631	4,741
Loans to corporate clients	**1,859,968**	**75,970**	**2,684,400**	**218,920**
Change of maturity	229,270	2,013	150,620	1,617
Change of amount of instalment	46,736	614	385,940	3,138
Change of interest rate	24,192	26	15,843	24
Change due to customers request	885,746	37,708	587,254	24,421
Other reasons	674,024	35,609	1,544,743	189,720
Total:	**2,093,522**	**84,522**	**3,082,371**	**229,818**

Structure and organization of credit risk management functions

Credit risk management as a comprehensive process is accomplished under the supervision of the Management Board of the Bank. The Supervisory Board exercises control over the activities of the Management Board on the credit risk management either directly or through the Risk Committee, which supports the Supervisory Board with the extensive supervision over the risk management function in the Bank, including over the formation of risk exposures.

There are collective bodies in the Bank the function of which is to support the activities of the Management Board on the credit risk management- Credit Council and Restructuring Committee. The Credit Council supports the adopted credit risk management and forms an opinion on loans as per its limits of competence. The Restructuring Committee is a specialized body for supervision of the loan exposures with indicators for deterioration. In addition to the collective bodies in the Bank, there are other independent specialized bodies - the Risk Analysis and Control Department and the Credit Risk Management, Monitoring and Provisioning Department, which fulfil the functions of identification, evaluation and management of the credit risk, including performing additional second control over the risk exposures. The realization, coordination and current control over the lending process is organized from the following departments: Corporate Banking, SME financing, Retail Banking, and Loan Administration, while the problem assets management is performed by the Impaired Assets Department.

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(iv) Government debt exposures

The Group closely manages the credit risk on government debt exposures and as a result the overall quality of the government debt portfolio is very high.

The table below shows the carrying amount of the government debt portfolio by country issuer.

31 December 2021 — In BGN '000

Portfolio	Bulgaria	Albania	Slovakia	Latvia	Lithuania	USA	Romania	EFSF*	Belgium	Italy	Spain	Portugal	Hungary	Croatia	Israel	European Union	Ireland	Saudi Arabia
Financial assets at fair value through profit or loss	3,348	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	414,481	183,228	2,158	64	44,010	155,011	80,442	2,015	2,506	1,807	20,974	19,891	15,340	7,651	3,916	561	19,101	10,037
Financial assets at amortised cost	164,553	-	-	-	-	-	-	-	-	-	-	-	-	-	52,166	-	-	-
Total	**582,382**	**183,228**	**2,158**	**64**	**44,010**	**155,011**	**80,442**	**2,015**	**2,506**	**1,807**	**20,974**	**19,891**	**15,340**	**7,651**	**56,082**	**561**	**19,101**	**10,037**

31 December 2020 — In BGN '000

Portfolio	Bulgaria	Albania	Slovakia	Latvia	Lithuania	USA	Romania	EFSF*	Belgium	Italy	Spain	Portugal	Hungary	Croatia	Israel	European Union
Financial assets at fair value through profit or loss	3,053	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	323,285	152,364	2,216	66	45,950	143,432	53,029	2,063	2,579	10,478	21,535	20,433	15,520	7,835	-	596
Financial assets at amortised cost	116,192	-	-	-	-	-	-	-	-	-	39,150	-	-	-	44,488	-
Total	**442,530**	**152,364**	**2,216**	**66**	**45,950**	**143,432**	**53,029**	**2,063**	**2,579**	**10,478**	**60,685**	**20,433**	**15,520**	**7,835**	**44,488**	**596**

**European Financial Stability Facility

Maturity table of government debt securities by country issuer as at 31 December 2021

in thousands of BGN

Country issuer	Up to 1 Month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Bulgaria	-	55,549	20,841	261,095	244,897	582,382
Albania	4,095	32,271	25,542	80,870	40,450	183,228
Slovakia	-	-	-	-	2,158	2,158
Latvia	-	-	-	64	-	64
Lithuania	-	-	-	44,010	-	44,010
USA	34,537	86,336	-	34,080	58	155,011
Romania	-	-	23,546	45,416	11,480	80,442
EFSF	-	-	-	2,015	-	2,015
Belgium	-	-	-	2,506	-	2,506
Italy	-	-	-	-	1,807	1,807
Spain	-	-	-	20,974	-	20,974
Portugal	-	-	-	-	19,891	19,891
Hungary	-	-	-	-	15,340	15,340
Croatia	-	-	-	7,651	-	7,651
Israel	52,166	-	3,916	-	-	56,082
European Union	-	-	-	-	561	561
Ireland	-	-	-	-	19,101	19,101
Saudi Arabia	-	-	-	-	10,037	10,037
Total	**90,798**	**174,156**	**73,845**	**498,681**	**365,780**	**1,203,260**

Maturity table of government debt securities by country issuer as at 31 December 2020

in thousands of BGN

Country issuer	Up to 1 Month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Bulgaria	-	8,383	-	229,196	204,951	442,530
Albania	93	9,616	13,193	95,402	34,060	152,364
Slovakia	-	-	-	-	2,216	2,216
Latvia	-	-	-	66	-	66
Lithuania	-	-	-	-	45,950	45,950
USA	39,846	103,586	-	-	-	143,432
Romania	-	-	-	-	53,029	53,029
EFSF	-	-	-	-	2,063	2,063
Belgium	-	-	-	2,579	-	2,579
Italy	-	-	-	-	10,478	10,478
Spain	-	-	39,150	-	21,535	60,685
Portugal	-	-	-	-	20,433	20,433
Hungary	-	-	-	-	15,520	15,520
Croatia	-	-	-	7,835	-	7,835
Israel	-	-	-	44,488	-	44,488
European Union	-	-	-	-	596	596
Total	**39,939**	**121,585**	**52,343**	**379,566**	**410,831**	**1,004,264**

C. Capital adequacy

Since 1 January 2014, the provisions of the CRD IV package have been in force. Through Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, CRD IV package transposes into European law the provisions of the new capital standards for banks – Basel III.

Regulatory capital

The equity capital of the Group for regulatory purposes consists of the following elements:

Common Equity Tier 1 capital

a) issued and paid up capital instruments (ordinary shares);

b) share premium from issuance of ordinary shares;

c) audited retained earnings;

d) accumulated other comprehensive income, including revaluation reserves;

e) other reserves;

Deductions from components of the Common Equity Tier 1 capital include intangible assets, as well as value adjustments due to the requirements for prudential assessments and other deductions. The increase of CET1 includes the adjustments related to the transitional treatment of the effect from the initial application of IFRS 9.

In 2020, as disclosed in Note 31, the Bank completed successfully its capital increase by issue of new shares which led to an increase of share capital by BGN 39,085 thousand and of premium reserve by BGN 153,017 thousand, net of issue costs.

Additional Tier 1 capital

The instruments of Additional Tier 1 capital include hybrid debt (see note 29). As disclosed in note 37 Post balance sheet events, on 6 February 2020, by Resolution No 38/6 February 2020, the Governing Council of the Bulgarian National Bank granted permission to First Investment Bank to include in its additional tier 1 capital the amount of EUR 30,000 thousand (equivalent to BGN 58,675 thousand),attracted via the capital instrument issued by the Bank, an issue of perpetual, non-cumulative, non-convertible bonds registered on 20 December 2019 with the Central Depository under ISIN code BG2100023196

Tier 2 Capital

Tier 2 capital amortised in accordance with the requirements of Regulation 575 includes subordinated term debt in the amount of EUR 4,900 thousand (equivalent to BGN 9,584thousand), issued in 2019 (EUR 2,000 thousand) and in 2020 (EUR 2,900 thousand) in the form of subordinated bonds of the subsidiary First Investment Bank - Albania Sh.a. (See Note 29).

Total own funds

In thousands of BGN	2021	2020
Common Equity Tier 1 capital		
Paid up capital instruments	149,085	149,085
(-) Indirect shareholding in Common Equity Tier 1 capital instruments	(30)	(40)
Premium reserves	250,017	250,017
Other reserves	787,532	743,386
Accumulated other comprehensive income	16,207	24,193
Adjustments of Common Equity Tier 1 capital		
(-) Intangible assets	(15,129)	(16,018)
Transitional adjustments of Common Equity Tier 1 capital	132,906	179,270
(-) Other deductions	(21,111)	(16,054)
Common Equity Tier 1 capital	**1,299,477**	**1,313,839**
Additional Tier 1 capital instruments		
Hybrid debt	254,258	254,258
Tier 1 Capital	**1,553,735**	**1,568,097**
Tier 2 Capital instruments		
Subordinated term debt	9,048	9,584
Tier 2 Capital	**9,048**	**9,584**
Total own funds	**1,562,783**	**1,577,681**

The Group calculates the following ratios:

a) the Common Equity Tier 1 capital ratio is the Common Equity Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;

b) the Tier 1 capital ratio is the Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;

c) the total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount.

The total risk exposure is calculated as the total of the risk-weighted assets for credit, market and operational risk.

The Group calculates the requirements for credit risk for its exposures in banking and trading portfolios based on the standardised approach. Exposures are taken into account using their balance sheet amount. Off-balance-sheet credit-related commitments are taken into account by applying different categories of conversion factors designed to convert these items into balance sheet equivalents. The resulting equivalent amounts are then weighted for risk using different percentages depending on the class of exposure and its credit rating assessment. Various credit risk mitigation techniques are used, for example collateralised transactions and guarantees. Forwards and options based derivative instruments are weighted for counterparty credit risk.

The Group calculates also capital requirements for market risk for foreign currency and commodity instruments in trading book and banking book.

The Group calculates capital requirements for operational risk by application of the standardized approach. In this approach the Group distributes the net income from banking operations (called the relevant indicator) over the last three years for the respective business lines. Next, the distributed amount from the relevant indicator is multiplied by its corresponding percentage (beta factor) to obtain the annual capital requirement for each business line. The Group calculates the capital requirement for operational risk as the average value for the three-year period of the sum of the annual capital requirements for all business lines. The respective risk exposure is calculated by further multiplication of the capital requirement by 12.5.

The Group has complied with the regulatory capital requirements throughout the period.

Capital adequacy level is as follows:

In BGN '000	Balance sheet/notional amount		Risk exposures	
	2021	2020	2021	2020
Risk weighted exposures for credit risk				
Balance sheet assets				
Exposure class				
Central governments or central banks	2,701,510	2,657,149	240,405	196,160
Multilateral development banks	83	57	-	-
International organizations	344	-	-	-
Institutions	415,065	418,974	172,596	114,078
Corporates	2,529,636	2,246,575	2,135,238	2,159,321
Retail	1,652,426	1,488,854	1,067,622	970,252
Secured by mortgages on immovable property	1,840,139	1,739,834	689,933	676,718
Exposures in default	942,997	1,069,585	1,006,304	1,123,685
Collective investments undertakings	2,705	2,694	2,705	2,694
Equity	39,183	36,719	58,778	54,811
Other items	1,766,993	1,659,820	1,508,390	1,471,456
Total	**11,891,081**	**11,320,261**	**6,881,971**	**6,769,175**
Off balance sheet items				
Exposure class				
Institutions	-	-	41	343
Corporates	337,817	281,554	42,406	49,367
Retail	479,353	479,350	5,123	5,340
Secured by mortgages on immovable property	29,167	33,929	6,060	7,317
Other items	-	-	11	9
Total	**846,337**	**794,833**	**53,641**	**62,376**
Derivatives				
Exposure class				
Central governments or central banks	-	-	-	-
Institutions	44	4,722	22	2,333
Corporates	3,821	156	3,821	156
Other items	2,246	746	2,246	746
Total	**6,111**	**5,624**	**6,089**	**3,235**
Total risk-weighted exposures for credit risk			**6,941,701**	**6,834,786**
Total amount of exposures to market risk			**4,713**	**5,525**
Amount of exposures for deferred risk			**552,425**	**573,675**
Total amount of risk exposures			**7,498,839**	**7,413,986**

Capital adequacy ratios	Equity		Capital ratios %	
	2021	2020	2021	2020
Common Equity Tier 1 capital	**1,299,477**	**1,313,839**	**17.33%**	**17.72%**
Tier 1 Capital	**1,553,735**	**1,568,097**	**20.72%**	**21.15%**
Total own funds	**1,562,783**	**1,577,681**	**20.84%**	**21.28%**

Other risks - Covid-19

(i) General information on Covid-19 and impact on the economy

With relation to the pandemic of Covid-19 (coronavirus) which reached a global scale at the end of February and the beginning of March 2020 and then continued in various stages of different intensity throughout 2020 leading to a significant plunge in financial activity worldwide, the Group analysed, based on the currently available data, the potential impact on its financial position and in particular on the models used in accordance with IFRS 9.

This disclosure is in compliance with the requirements of IFRS 7 and IFRS 9, as well as with the recommendations issued by the European Securities and Markets Authority (ESMA).

It should be noted that as at the date of preparation of these individual financial statements the economic activity is not yet fully recovered and there is no sufficiently stable statistical information available - neither on the real impact on the Bulgarian and the global economy, nor on significant forecasts for their recovery in the following months.

(ii) Development of the Covid-19 pandemic (coronavirus)

On 13 March 2020 the National Assembly of the Republic of Bulgaria issued a resolution introducing a state of emergency which lasted until 13 May 2020. Similar measures were introduced by all EU member states, and by Bulgaria's main trade partners (outside the EU). Subsequently, after the state of emergency was ended, the government of the Republic of Bulgaria introduced a state of epidemics which has lasted until the end of the financial year and continues to the date of issue of these individual financial statements.

As a result of the measures imposed by governments worldwide, a significant part of the economic activity in various countries was stayed, and in addition, much of the international trade was impeded.

Despite the fact that lockdown measures were eased and then re-introduced, the international financial institutions and the international credit agencies are foreseeing significant economic impact in the shorter term, with expectation that the overall growth levels of the economy would recover in 2021-2022.

The Group's management has analysed the expected impact both on economic growth, and on the credit quality of countries to which it has exposures, and the analysis is shown below.

Impact on economic growth

The table below shows information on the expected economic growth in the Republic of Bulgaria, as per data published by the International Monetary Fund, including forecasts made after the start of the Covid-19 pandemic.

	Historical data (%)			Forecast data (%)		
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
Economic GDP growth	3.4%	-4.2%	4.5%	4.4%	4.0%	3.6%

The table below shows information on the expected economic growth in the Eurozone countries (which are Bulgaria's main external market), as per data published by the International Monetary Fund, including forecasts made after the start of the Covid-19 pandemic.

	Historical data (%)			Forecast data (%)		
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
Economic GDP growth	1.50%	-6.30%	5.00%	4.30%	2.00%	1.60%

As seen from the figures above, the Management takes into account the possible short-term risks for the overall development of the economy of the Republic of Bulgaria and its major trade partners, noting that in some markets the expected drop in GDP would be significant; however, the Management also takes into account the general expectations for recovery in the 2021-2022 period, with expectations for return to the average forecasted growth pre-Covid-19 growth levels, as a result of the measures taken by the governments for vaccination and for stimulating economic activities.

Impact on credit ratings

As a result of the expected economic consequences of the slower overall activities, some rating agencies downgraded the outlook on long-term debt positions, both with regard to sovereign debt, and with regard to corporate debt positions. The table below shows information on the change in credit ratings (including Outlook) awarded to the Republic of Bulgaria by Fitch Ratings.

	As at 21.01.2022	
	Raiting	**Outlook**
Republic of Bulgaria	BBB	Positive

At present, despite the overall downgrading of outlooks and the limited number of credit rating downgrading of a number of countries, the Management is of the opinion that it is not possible to make a sufficiently sustainable and reliable assessment of the impact which the Covid-19 situation may have before a longer period of time has elapsed, during which symptoms of overall credit quality impairment may occur – both for investments, and for the general environment in which the Group operates.

(iii) Analysis of the impact on the IFRS 9 model

The Group's management has analysed the expected impact on the overall IFRS 9 model; detailed results from the analysis are presented below. It should be noted that the analysis was focused on:

- Assessment of impairment of the credit quality of counterparties
- Assessment of the potential impact on expected credit loss from exposures to counterparties

The overall conclusion of the Group's Management is that as at the time of issue of these statements, in the shorter term a significant impairment of counterparties' credit quality is not expected due to:

- The measures taken by the government of the Republic of Bulgaria, the governments of other countries, including with respect to the existing private moratoria, which currently do not lead to additional indications of significantly impaired credit quality of counterparties. The Management continues to monitor strictly for the occurrence of long-term impairment indications, and the general temporary potential liquidity problems of counterparties caused directly by Covid-19 (coronavirus) are not considered as indications for impaired credit quality.
- At present, despite the overall downgrading of outlooks and the limited number of credit rating downgrading of a number of countries, the Management is of the opinion that it is not possible to make a sufficiently sustainable and reliable assessment of the impact which the Covid-19 situation may have before a longer period of time has elapsed, during which symptoms of overall credit quality impairment may occur – both for investments, and for the general environment in which the Group operates.

As regards the model for calculating expected credit loss, the Management considers that it is not possible to make a significant change of the overall model because of the lack of stable data. Nevertheless, the Management takes into account the possible short-term risks for the overall development of Bulgaria's economy, and the fact that the expected drop in GDP might significantly affect some industries, but also takes into account the general expectations for speedy recovery in the 2021-2022 period and return to the average forecasted pre- Covid-19 growth levels.

(iv) Moratorium on loans

In April 2020 the Bulgarian National Bank approved the "Procedure for Deferral and Settlement of Liabilities Payable to Banks and their Subsidiaries – Financial Institutions in relation to the state of emergency enforced by the National Assembly on 13 March 2020 as a result of the COVID-19 pandemic" prepared by the Association of Banks in Bulgaria (ABB); later, in July and in December 2020, BNB approved the extension of the validity of this documents and amendments to it. The document is a private (non-legislative) moratorium within the meaning of the Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02) adopted by the European Banking Authority (EBA); pursuant to it the deferral of such exposures does not automatically lead to their reclassification due to restructuring or default.

Faced with the consequences of the Covid-19 pandemic which far outreach the impact on public health, both the Albanian government and the Central Bank of Albania have prepared and implemented immediate measures to mitigate the social and economic impact. The government announced a sovereign guarantee for the entire business sector that is struggling with liquidity problems and is seeking financing. The Central Bank of Albania announced that customers that are suffering from liquidity problems can ask for postponement of their liabilities to banks until 31.12.2020.

Some of the Group's borrowers also used this moratorium in Bulgaria and the measures taken in Albania, and the total amount of renegotiated exposures was BGN 1,377,438 thousand, gross of impairment (BGN 1,344,725 thousand net of impairment), and as at 31 December 2020 the total amount of renegotiated exposures still covered by the moratorium on loan payments was BGN 337,542thousand, gross of impairment (BGN 336,097 thousand net of impairment).

As at 31.12.2021 no exposures were covered by the moratorium.

The table below shows information on exposures renegotiated within the moratorium which at 31 December 2020 were still benefitting from it based on borrower type:

In BGN '000	**Total value of the loan portfolio**			**Renegotiated within the moratorium**		
	Gross value	**Allowance for impairment**	**Amortised cost**	**Gross value**	**Allowance for impairment**	**Amortised cost**
Large enterprise	2,610,673	(215,481)	2,395,192	217,791	(202)	217,589
Medium enterprise	1,144,173	(141,592)	1,002,581	37,082	(288)	36,794
Small business	564,876	(44,851)	520,025	19,257	(102)	19,155
Micro enterprise	350,200	(11,340)	338,860	21,932	(227)	21,705
Households						
- Consumer loans	972,496	(67,693)	904,803	14,802	(158)	14,644
- Mortgage loans	1,009,903	(17,395)	992,508	23,462	-	23,462
- Credit cards	179,780	(25,960)	153,820	3,216	(468)	2,748
- Other programmes and collateralised financing	5,098	-	5,098	-	-	-
Total	**6,837,199**	**(524,312)**	**6,312,887**	**337,542**	**(1,445)**	**336,097**

The table below shows information on exposures renegotiated within the moratorium which at 31 December 2020 were still benefitting from it based on the IFRS 9 phase in which the exposure is classified:

	Total value of the loan portfolio			**Renegotiated within the moratorium**		
	Gross value	**Allowance for impairment**	**Amortised cost**	**Gross value**	**Allowance for impairment**	**Amortised cost**
Exposures without increase of credit risk after the initial recognition (phase 1)	4,299,116	(14,739)	4,284,377	301,180	(451)	300,729
Exposures with significant increase of credit risk after the initial recognition (phase 2)	1,021,469	(62,888)	958,581	34,820	(570)	34,250
Total	**5,320,585**	**(77,627)**	**5,242,958**	**336,000**	**(1,021)**	**334,979**

4. Segment Reporting

Segment information is presented in respect of the Group's geographical segments. The primary format, geographical segments, is based on the Bank's management and internal reporting structure.

Reporting and measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

Transactions between segments are conducted on an arm's length basis.

The Group operates principally in Bulgaria, but also has operations in Cyprus and Albania.

In presenting information on the basis of geographical segments, revenue and operating income is allocated after intragroup eliminations based on the location of the Bank branch that generated the revenue. Segment assets and liabilities are allocated after intragroup eliminations based on their geographical location.

In BGN '000	Bulgarian operations		Foreign operations		Total	
	2021	2020	2021	2020	2021	2020
Interest income	309,069	292,862	25,241	21,001	334,310	313,863
Interest expense	(41,934)	(59,343)	(9,911)	(4,842)	(51,845)	(64,185)
Net interest income	**267,135**	**233,519**	**15,330**	**16,159**	**282,465**	**249,678**
Fee and commission income	133,898	111,592	15,311	9,215	149,209	120,807
Fee and commission expense	(24,442)	(20,752)	(1,262)	(863)	(25,704)	(21,615)
Net fee and commission income	**109,456**	**90,840**	**14,049**	**8,352**	**123,505**	**99,192**
Net trading income	**13,406**	**10,458**	**2,336**	**2,073**	**15,742**	**12,531**
Administrative expenses	**(178,584)**	**(181,339)**	**(13,499)**	**(12,468)**	**(192,083)**	**(193,807)**
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Assets	**10,787,623**	**10,780,146**	**1,109,598**	**555,274**	**11,897,221**	**11,335,420**
Liabilities	**9,400,108**	**9,268,356**	**1,177,271**	**850,644**	**10,577,379**	**10,119,000**

The table below shows assets and liabilities and income and expense by business segments as at 31 December 2021.

In BGN '000

Business	Assets	Liabilities	Net interest income	Net fee and commission income	Net trading income	Other net operating income
Corporate Banking	3,207,874	1,286,184	98,841	31,758	-	206
Small and medium enterprises	1,043,436	604,890	42,601	21,597	-	135
Retail Banking	2,402,634	8,087,358	153,495	68,206	-	3,071
Treasury	3,733,093	98,637	1,331	777	15,742	2,968
Other	1,510,184	500,310	(13,803)	1,167	-	6,878
Total	**11,897,221**	**10,577,379**	**282,465**	**123,505**	**15,742**	**13,258**

The Bank discloses the following information pursuant the requirements of Art. 70(6) of the Law on Credit Institutions.

In BGN '000

Business	Bulgaria	other EU member states	third countries	Total
Turnover rate	401,422	7,128	26,420	**434,970**
Equivalent number of full-time employees	2,487	13	367	**2,867**
Profit before tax	109,653	3,509	11,670	**124,832**
Accrued taxes on the financial result of the activity	(11,253)	(466)	(1,705)	**(13,424)**
Return on assets (ROA)	0.9%	0.7%	1.5%	**0.9%**
Government subsidies received	170			**170**

The information given in the column on third countries includes the subsidiary First Investment Bank - Albania Sh.a. which is covered in Note 36(C).

The information on other EU member states includes the Cyprus branch and the subsidiary First Investment Finance B.V. which is covered in Note 36(A).

5. Financial assets and liabilities

Accounting classification and fair values

The Group's accounting policy on fair value measurements is set out in Note 2(d)(vi).

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: inputs are observable date for a given asset or liability. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques.

Other valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

However, where the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures, it applies judgement in determining appropriate portfolio level adjustments such as bid-ask spread.

Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio.

For more complex instruments, the Group uses proprietary valuation models, which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain over the counter derivatives, certain loans and securities for which there is no active market and retained interests in securitisations. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a Risk Management function, which is independent of Treasury division and reports to management, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- a review and approval process for new models and changes to models involving the Risk Analysis and Control Division and the Group's Management Board;
- calibration of models against observed market transactions;
- analysis and investigation of significant daily valuation movements;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month, by Risk Analysis and Control division.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, Risk Analysis and Control division assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;
- where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

The tables below set out analysis of financial instruments measured at fair value at the end of the reporting period classified by fair value hierarchy level framework categorising fair value measurement. The amounts are based on the amounts in the statement of financial position.

in thousands of BGN

31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	7,840	260,884	14	**268,738**
Financial assets at fair value through other comprehensive income	860,091	228,813	-	**1,088,904**
Derivatives held for risk management	1,042	-	-	**1,042**
Total	**868,973**	**489,697**	14	**1,358,684**
Financial liabilities at fair value through profit and loss	-	2,164	-	**2,164**

In BGN '000

31.12.2020 г.	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	7,358	259,557	14	266,929
Financial assets at fair value through other comprehensive income	649,016	176,376	490	825,882
Derivatives held for risk management	724	3,976	-	4,700
Total	**657,098**	**439,909**	504	**1,097,511**

The tables below set out analysis of the fair values of financial instruments not recognised at fair value, classified by fair value hierarchy level framework categorising fair value measurement.

in thousands of BGN

31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total fair values**	**Total balance sheet value**
Assets					
Cash and balances with Central Banks	-	1,970,814	-	1,970,814	1,970,814
Financial assets at amortised cost	318,404	-	-	318,404	316,139
Loans and advances to banks and other financial institutions	-	87,456		87,456	87,456
Loans and advances to customers	-	945,836	5,826,681	6,772,517	6,653,944
Total	**318,404**	**3,004,106**	**5,826,681**	**9,149,191**	**9,028,353**
Liabilities					
Due to banks	-	8,722	-	8,722	8,722
Due to other customers	-	5,891,986	4,083,577	9,975,563	9,973,631
Liabilities evidenced by paper	-	119,980	-	119,980	120,002
Subordinated term debt	-	9,622	-	9,622	9,622
Hybrid debt	-	320,733	-	320,733	320,733
Total	**-**	**6,351,043**	**4,083,577**	**10,434,620**	**10,432,710**

in thousands of BGN

31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total fair values**	**Total balance sheet value**
Assets					
Cash and balances with Central Banks	-	2,133,197	-	2,133,197	2,133,197
Financial assets at amortised cost	207,740	-	-	207,740	199,830
Loans and advances to banks and other financial institutions	-	106,111	-	106,111	106,111
Loans and advances to customers	-	1,069,929	5,374,522	6,444,451	6,312,887
Total	**207,740**	**3,309,237**	**5,374,522**	**8,891,499**	**8,752,025**
Liabilities					
Due to banks	-	2,747	-	2,747	2,747
Due to other customers	-	5,148,701	4,401,305	9,550,006	9,542,276
Liabilities evidenced by paper	-	103,662	-	103,662	103,649
Subordinated term debt	-	9,623	-	9,623	9,623
Hybrid debt	-	267,579	-	267,579	267,579
Total	**-**	**5,532,312**	**4,401,305**	**9,933,617**	**9,925,874**

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as product and borrower type, maturity, currency, collateral type.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

6. Net interest income

in thousands of BGN	2021	2020
Interest income		
Accounts with and placements to banks and financial institutions	335	628
Revenue from interest on liabilities	9	-
Large enterprise	88,623	85,815
Medium enterprise	39,910	36,379
Small business	20,737	22,232
Micro enterprise	23,975	15,086
Households	135,633	130,289
Debt instruments	25,088	23,434
	334,310	**313,863**
Interest expense		
Deposits from banks	(47)	(5)
Deposits from other customers	(14,045)	(30,268)
Liabilities evidenced by paper	(668)	(660)
Subordinated term debt	(380)	(281)
Hybrid debt	(27,634)	(27,541)
Interest on assets cost	(8,712)	(5,026)
Lease agreements and other	(359)	(404)
	(51,845)	**(64,185)**
Net interest income	**282,465**	**249,678**

For 2021 the recognized interest income from individually impaired financial assets (loans to customers) amounted to BGN 44,311 thousand (2020: BGN 32,252 thousand).

7. Net fee and commission income

in thousands of BGN		
Fee and commission income	**2021**	**2020**
Letters of credit and guarantees	3,466	2,412
Payment operations	24,877	19,787
Customer accounts	39,772	34,766
Card services	37,917	32,406
Other	43,177	31,436
	149,209	**120,807**
Fee and commission expense		
Letters of credit and guarantees	(606)	(484)
Payment systems	(2,968)	(2,353)
Card services	(17,322)	(14,809)
Other	(4,808)	(3,969)
	(25,704)	**(21,615)**
Net fee and commission income	**123,505**	**99,192**

8. Net trading income

in thousands of BGN	2021	2020
Net trading income arises from:		
- Debt instruments	(64)	(68)
- Equities	200	(120)
- Foreign exchange rate fluctuations	15,606	12,719
Net trading income	**15,742**	**12,531**

9. Other net operating income

In BGN '000	2021	2020
Other net operating income arising from:		
- Net income from transactions and revaluation of gold and precious metals	1,176	604
- Rental income	5,702	5,740
- Debt instruments	2,941	3,517
- Equities	27	2,188
- Income from management of assigned receivables	3,075	162
- Gain on administration of loans acquired through business combination	337	97
Other net operating income	**13,258**	**12,308**

10. Administrative expenses

in thousands of BGN	2021	2020
General and administrative expenses comprise:		
- Personnel cost	71,871	67,742
Amortization of equipment and tangible fixed assets	12,201	13,165
Rights of use assets	35,089	35,011
- Advertising	8,944	10,298
-Telecommunication, software and other computer maintenance	13,146	12,665
- Other expenses for external services	50,832	54,926
Administrative expenses	**192,083**	**193,807**

Personnel costs include salaries, social and health security contributions under the provisions of the local legislation. At 31 December 2021 the total number of employees was 2,867 (31 December 2020: 2,910).

The amounts accrued in 2021 for services provided by the registered auditors for independent financial audit amounted to BGN 623 thousand. The amounts accrued in 2020 for services provided by the registered auditors for independent financial audit amounted to BGN 394 thousand. There are no amounts accrued in 2021 for other services unrelated to audit and provided by the registered auditors. (For 2020: BGN 153 thousand)

11. Allowance for impairment

in thousands of BGN	2021	2020
Write-downs		
Loans and advances to customers	(160,033)	(140,462)
Investments in non-consolidated subsidiaries	-	-
(v) Capital instruments at fair value through other comprehensive income	(190)	(124)
Off balance sheet commitments	(775)	(490)
Reversal of write-downs		
Loans and advances to customers	35,069	41,971
(v) Capital instruments at fair value through other comprehensive income	3	42
Off balance sheet commitments	263	356
Impairment, net	**(125,663)**	**(98,707)**

The expense for impairment in 2021 and 2020 is due to additional allowances resulting from the development of credit risk in a period of challenging economic environment and the conservative approach applied by the Group in recognising the risk of loss for certain individually impaired exposures.

12. Other income/(expenses), net

	2021	2020
(Loss)/profit from the sale and write-off of assets acquired as collateral	(6,034)	1,591
Revaluation of investment property	30,340	2,312
Income/(expense) from sale of investment property	16	(368)
Dividend income	455	430
Net earned insurance premiums	7,236	6,281
Cost of guarantee schemes	(23,710)	(35,945)
Claims incurred	(3,591)	(3,459)
Reversal of expense/(expense) for provisions for pending court cases	508	(69)
Other income, net	2,388	(469)
Total	**7,608**	**(29,696)**

13. Income tax expense

	2021	2020
Current taxes	(8,043)	(1,213)
Deferred taxes (See Note 21)	(5,381)	(4,769)
Income tax expense	**(13,424)**	**(5,982)**

Reconciliation between tax expense and the accounting profit is as follows:

in thousands of BGN	2021	2020
Accounting profit before taxation	**124,832**	**51,499**
Corporate tax at applicable tax rate (10% for 2021 and 10% for 2020)	12,483	5,150
Effect from tax rates of foreign subsidiaries and branches	657	739
Tax effect of permanent tax differences	172	23
Other	112	70
Income tax expense	**13,424**	**5,982**
Effective tax rate	10.75%	11.62%

14. Earnings per share

	2021	2020
Net profit attributable to shareholders (in thousands of BGN)	110,595	44,974
Average weighted number of ordinary shares held (in thousands)	149,085	126,339
Earnings per share (BGN)	**0.74**	**0.36**

The basic earnings per share, calculated in accordance with IAS 33, are based on the profit attributable to ordinary equity holders of the Group. In 2021 as in the previous year, no conversion or option rights were outstanding. The diluted earnings per share, therefore, correspond to the basic earnings per share.

15. Cash and balances with Central Banks

n thousands of BGN	2021	2020
Cash on hand		
- in BGN	189,400	135,251
- in foreign currency	72,599	53,845
Balances with Central Banks	1,499,754	1,655,521
Current accounts and amounts with local banks	2,916	-
Current accounts and amounts with foreign banks	206,145	288,580
Total	**1,970,814**	**2,133,197**

16. Investments in securities

In thousands of BGN	2021	2020
Bonds and notes issued by:		
Bulgarian Government		
- denominated in BGN	369,107	260,139
- denominated in foreign currencies	213,275	182,390
Foreign governments	620,878	561,735
Corporates	317,559	236,974
Foreign banks	124,057	24,011
Other issuers – equity instruments	28,905	27,392
Total	**1,673,781**	**1,292,641**
Of which financial assets:		
at fair value through other comprehensive income	1,088,904	825,882
at amortised cost	316,139	199,830
at fair value through profit and loss	268,738	266,929
Total	**1,673,781**	**1,292,641**

A portion of the reported bonds of the Bulgarian and of foreign governments amounting to BGN 83,314 thousand (BGN 86,103 thousand in 2020) are subject to a Total Return Swap Agreement.

As at the end of 2021, part of the reported foreign government securities in the amount of BGN 16,196 thousand are subject to repo agreements.

17. Loans and advances to banks and other financial institutions

(a) Analysis by type

in thousands of BGN	2021	2020
Placements with banks	38,727	34,094
Other	48,729	72,017
Total	**87,456**	**106,111**

(b) Geographical analysis

in thousands of BGN	2021	2020
Domestic banks and financial institutions	22,208	39,596
Foreign banks and other financial institutions	65,248	66,515
Total	**87,456**	**106,111**

18. Loans and advances to customers

31.12.2021

in thousands of BGN	Gross value	Allowance for impairment	Amortised cost
Large enterprise	2,236,375	(142,266)	2,094,109
Medium enterprise	1,385,398	(154,722)	1,230,676
Small business	594,327	(60,043)	534,284
Micro enterprise	519,600	(43,361)	476,239
Households			
- Consumer loans	1,074,443	(48,682)	1,025,761
- Mortgage loans	1,153,425	(12,908)	1,140,517
- Credit cards	167,126	(17,785)	149,341
- Other programmes and collateralised financing	3,017	-	3,017
Total	**7,133,711**	**(479,767)**	**6,653,944**

31.12.2020

In BGN '000	Gross value	Allowance for impairment	Amortised cost
Large enterprise	2,610,673	(215,481)	2,395,192
Medium enterprise	1,144,173	(141,592)	1,002,581
Small business	564,876	(44,851)	520,025
Micro enterprise	350,200	(11,340)	338,860
Households			
- Consumer loans	972,496	(67,693)	904,803
- Mortgage loans	1,009,903	(17,395)	992,508
- Credit cards	179,780	(25,960)	153,820
- Other programmes and collateralised financing	5,098	-	5,098
Total	**6,837,199**	**(524,312)**	**6,312,887**

(a) Movement in impairment allowances

in thousands of BGN

Balance as at 01 January 2021	**524,312**
Additional allowances	160,033
Amounts released	(35,069)
Write-offs	(171,512)
Other	2,003
Balance as at 31 December 2021	**479,767**

19. Property and equipment

in thousands of BGN	Land and Buildings	Fixtures and fittings	Motor vehicles	Assets under Construction	Leasehold Improvements	Total
Cost						
At 01 January 2020	**22,208**	**145,269**	**6,892**	**15,870**	**67,829**	**258,068**
Additions	-	433	-	10,938	138	11,509
Exchange rate differences	-	(105)	(5)	(4)	(37)	(151)
Write-offs	-	(3,203)	-	(56)	(1,484)	(4,743)
Transfers	-	3,577	84	(9,122)	125	(5,336)
At 31 December 2020	**22,208**	**145,971**	**6,971**	**17,626**	**66,571**	**259,347**
Additions	4,035	460	-	9,558	117	14,170
Exchange rate differences	-	167	9	5	57	238
Write-offs	-	(11,787)	(24)	-	(4,544)	(16,355)
Transfers		6,822	-	(8,619)	130	(1,667)
At 31 December 2021	**26,243**	**141,633**	**6,956**	**18,570**	**62,331**	**255,733**
Amortisation						
At 01 January 2020	**5,278**	**122,259**	**6,516**	**-**	**42,277**	**176,330**
Exchange rate differences	-	(66)	(3)	-	(29)	(98)
Accrued during the year	807	7,069	141	-	2,739	10,756
For write offs	-	(3,183)	-	-	(1,484)	(4,667)
At 31 December 2020	**6,085**	**126,079**	**6,654**	**-**	**43,503**	**182,321**
Exchange rate differences		122	7	-	45	174
Accrued during the year	807	6,064	131	-	2,369	9,371
For write offs	-	(11,767)	(24)	-	(4,540)	(16,331)
At 31 December 2021	**6,892**	**120,498**	**6,768**	**-**	**41,377**	**175,535**
Carrying amount						
At 01 January 2020	**16,930**	**23,010**	**376**	**15,870**	**25,552**	**81,738**
At 31 December 2020	**16,123**	**19,892**	**317**	**17,626**	**23,068**	**77,026**
At 31 December 2021	**19,351**	**21,135**	**188**	**18,570**	**20,954**	**80,198**

The fair value of assets constituting land and buildings was determined by independent property assessors holding recognised professional qualification and recent experience in assessing property with similar location and category. The Group's policy requires that independent assessors determine the fair value sufficiently frequently so as to ensure that the balance sheet value does not differ significantly from the fair value at the end of the reporting period. As at 31 December 2021 the fair value of land and buildings was not significantly different from their balance sheet value as at that date. The fair value of land and buildings is categorised as Level 3 fair value on the basis of incoming data on the assessment methodology used.

Assessment methodology	**Significant unobservable inputs**	**Connection between key unobservable inputs and fair value**
1. Discounted cash flows: this valuation model takes into account the present value of cash flows generated by property, taking into account the expected growth of rental prices, the period required for cancellation, the level of occupancy, premiums such as periods in which no rent is paid and other expenses which are not paid by tenants. The expected net cash flows are discounted using discount rates adjusted for risk. Among other factors, when determining the discount rate, the quality of the building and its location are taken into account (first-rate or second-rate), as well as the creditworthiness of the tenant and the duration of the loan agreement.	1. Expected market growth of rent (4.5-6.8%, weighted average 5.6%). 2. Period for cancellation (6 months on average after each rental agreement). 3. Occupancy (90-95%, weighted average 92.5%). 4. Periods when no rent is paid (1 year for new rental agreement). 5. Risk adjusted discount rate (4-9%, weighted average 6.5%).	The fair value will increase (decrease) where: • the expected market growth of rent is higher (lower); • periods for cancellation are shorter (longer); • Occupancy is higher (lower); • the periods when no rent is paid are shorter (longer); or • the risk adjusted discount rate is lower (higher).
2. Market approach/Comparative approach. This method is based on the comparison of the property being evaluated to other similar properties which have been sold recently or which are available for sale. Using this method, the value of a given property is determined in direct comparison to other similar properties which have been sold in a period of time close to the time when the valuation is made. Based on detailed research, review and analysis of data from the property market, the value is formed and it is the most accurate indicator of market value. This method consists of using information about actual transactions in the real estate market in the last six months. Successful application of this method is only possible where a trustworthy database is available as regards actual transactions with properties similar to the property being valued. Information from real estate sites, local press and other such refers to future investment intentions of the seller and cannot be deemed a trustworthy source of information. When using such sites, the offer price for each analogous property is discounted at the valuator's discretion, but by no less than 5%.	1. Expected market growth of property (5-10%, weighted average 7.5%). 2. Time required to effect the sale (6 months on average after the offer is placed). 3. Transaction success rate (90-95%, weighted average 92.5%). 4. Location (1.0-1.05, weighted average 1.025). 5. Property status (1.0-1.1, weighted average 1.05).	The fair value will increase (decrease) where: • the expected market growth of property is higher (lower); • the period of time required for the sale is shorter (longer); • there is a change in the technical condition of the property

20. Intangible assets

in thousands of BGN	Software and licences	Goodwill	Total
Cost			
At 01 January 2020	**42,344**	**540**	**42,884**
Additions	899	-	899
Exchange rate differences	26.	-	26.
Write-offs	(1)	-	(1)
Transfers	5,336	-	5,336
At 31 December 2020	**48,552**	**540**	**49,092**
Additions	265	-	265
Exchange rate differences	57	-	57
Transfers	1,667	-	1,667
At 31 December 2021	**50,541**	**540**	**51,081**
Amortisation			
At 01 January 2020	**30,258**	-	**30,258**
Exchange rate differences	(17)	-	(17)
Accrued during the year	2,409	-	2,409
For write offs	(1)	-	(1)
At 31 December 2020	**32,649**	**-**	**32,649**
Exchange rate differences	36	-	36
Accrued during the year	2,830	-	2,830
At 31 December 2021	**35,515**	**-**	**35,515**
Carrying amount			
At 01 January 2020	**12,086**	**540**	**12,626**
At 31 December 2020	**15,903**	**540**	**16,443**
At 31 December 2021	**15,026**	**540**	**15,566**

21. Deferred tax liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 10% for Bulgaria and of 15% for Albania.

The deferred tax as at 31 December 2021 refers to the following items of the statement of financial position:

In thousands of BGN	Assets	Liabilities	Net
Property, equipment and intangibles	(46)	2,800	2,754
Investment Property	-	23,675	23,675
Tax loss	-	-	-
Other	(2,394)	2,892	498
Net tax (assets)/liabilities	**(2,440)**	**29,367**	**26,927**

The deferred tax as at 31 December 2020 refers to the following items of the statement of financial position:

In thousands of BGN	Assets	Liabilities	Net
Property, equipment and intangibles	(74)	2,677	2,603
Investment Property	-	20,617	20,617
Tax loss	(2,089)	-	(2,089)
Other	(2,445)	2,958	513
Net tax (assets)/liabilities	**(4,608)**	**26,252**	**21,644**

The movements of temporary differences in 2020 are recognised as follows:

In BGN '000	**31.12.2020**	**Recognised during the period (in profit) or loss**	**Recognised during the period in equity**	**Other movements**	**31 December 2021**
	Net liabilities				**Net liabilities**
Property, equipment and intangibles	2,603	152	-	(1)	2,754
Investment Property	20,617	3,058	-	-	23,675
Tax loss	(2,089)	2,089	-	-	-
Other	513	82	(106)	9	498
Net tax (assets)/liabilities	**21,644**	**5,381**	**(106)**	**8**	**26,927**

22. Repossessed assets

in thousands of BGN	2021	2020
Land	256,609	473,315
Buildings	189,831	205,905
Machines, plant and vehicles	12,596	33,594
Fixtures and fittings	817	805
Total	**459,853**	**713,619**

Repossessed assets acquired as collateral are measured at the lower of cost and net realisable value. The net realizable value of the lands and buildings is approximately equal to their fair value. The assessment methodology for land and buildings is given in note 19.

23. Investment Property

in thousands of BGN

Balance as at 01/01/2021	**414,021**
Incomings for the period	197
Transferred from repossessed assets	290,975
Revaluation of investment property to the fair value recognised at transfer	30,340
Write-offs upon sale	(2,683)
Balance as at 31/12/2021	**732,850**

24. Rights of use assets

in thousands of BGN

At 01 January 2021	**154,080**
Additions	1,040
Amortisation	(35,105)
Effect of modification to lease terms and expectations on lease term	(28,193)
Exchange rate differences	347
At 31 December 2021	**92,169**
Lease liabilities	
At 01 January 2021	**154,481**
Additions	1,040
Lease payments	(34,976)
Effect of modification to lease terms and expectations on lease term	(28,164)
Exchange rate differences	24
At 31 December 2021	**92,405**

Right-of-use assets recognised by the Group are the branches and offices in various towns in Bulgaria Cyprus and Albania , as well as the buildings in which the Bank's headquarters are located - lines Upon completing the initial recognition, the Group analysed and took into account information on the expected duration of the period in which the Group will be using the assets. In 2021 some of these expectations changed and as a result the Group reviewed its initial assessment and recognized a decrease in the right-of-use assets in the amount of BGN 28,193 thousand, and in lease liabilities in the amount of BGN 28,164 thousand.

In the assessment of right-of-use assets and lease liabilities, the Group took into consideration the current level of financing costs in case it plans to finance the purchase of the assets in question, and included this assumption both in the initial, and in the subsequent valuation of right-of-use assets and of lease liabilities.

The table below analyses lease liabilities according to the expected residual term of rental agreements:

In BGN '000	**Maturity analysis of lease liabilities**		
	To 1 year	**More than 1 year**	**Total**
At 01 January 2021	32,046	122,435	154,481
At 31 December 2021	20,565	71,840	92,405

25. Other assets

in thousands of BGN	**2021**	**2020**
Deferred expense	15,668	11,474
Gold	2,818	2,661
Investments in non-consolidated subsidiaries	10,248	9,247
Other assets	100,814	86,620
Total	**129,548**	**110,002**

26. Due to banks

in thousands of BGN	2021	2020
Payable on demand	8,722	2,747
Total	**8,722**	**2,747**

27. Due to other customers

in thousands of BGN	2021	2020
Retail customers		
- current accounts	2,478,823	1,967,574
- term and savings deposits	4,971,344	5,288,201
Businesses and public institutions		
- current accounts	2,074,799	1,757,737
- term deposits	448,665	528,764
Total	**9,973,631**	**9,542,276**

28. Liabilities evidenced by paper

in thousands of BGN	2021	2020
Acceptances under letters of credit	3,388	6,776
Liabilities under repurchase agreements	14,358	-
Debt related to agreements for full swap of profitability	73,391	73,240
Financing from financial institutions	26,227	23,633
Liabilities related to a structured investment product	2,638	-
Total	**120,002**	**103,649**

Financing from financial institutions through extension of loan facilities can be analysed as follows:

Lender	Interest rate	Maturity	Amortised cost as at 31 December 2021
European Investment Fund – JEREMIE 2	0% - 1.087%	30/09/2025	2,731
Bulgarian Bank for Development AD	1% - 1.583%	15.03.2027 - 30.11.2028	15,525
Manager of financial instruments in Bulgaria fund	0%	31/12/2033	7,971
Total			**26,227**

Lender	Interest rate	Maturity	Amortised cost as at 31 December 2020
European Investment Fund – JEREMIE 2	0 % - 1.136%	30/09/2025	4,244
Bulgarian Bank for Development AD	1% - 1.583%	15.03.2027 - 30.11.2028	16,137
Manager of financial instruments in Bulgaria fund	0%	31/12/2033	3,252
Total			**23,633**

29. Hybrid and subordinated debt

In BGN '000	Principal amount	Amortised cost as at 31 December 2021
Hybrid debt with principal EUR 40 mio	78,233	84,910
Hybrid debt with principal EUR 60 mio	117,350	123,840
Hybrid debt with principal EUR 30 mio	58,675	58,829
Hybrid debt with principal EUR 27.133 mio	53,068	53,154
Total	**307,326**	**320,733**

In BGN '000	Principal amount	Amortised cost as at 31 December 2020
Hybrid debt with principal EUR 40 mio	78,233	84,910
Hybrid debt with principal EUR 60 mio	117,350	123,840
Hybrid debt with principal EUR 30 mio	58,675	58,829
Total	**254,258**	**267,579**

The bonds under the four instruments are registered, dematerialized, interest-bearing, perpetual, unsecured, freely transferable, non-convertible, deeply subordinated and without incentive to redeem.

The four hybrid instruments fully comply with the requirements of Regulation 575/2013 and are included in the additional tier 1 capital.

As at 31.12.2021 for the amount of EUR 27,133 thousand (equivalent to BGN 53,068 thousand) issued through a capital instrument, an issue of perpetual, non-cumulative, uncollateralized, deeply subordinated, freely transferrable, non-convertible bonds registered in two tranches – on 22 December 2021 and on 29 December 2021 - with Clearstream Banking S.A. under a common ISIN code XS2419929422, the Bank has not submitted an application to the Bulgarian National Bank for inclusion of the amount in the Bank's additional tier 1 capital within the meaning of Article 52 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.

On 6 February 2020, by Resolution No 38/6 February 2020, the Governing Council of the Bulgarian National Bank granted permission to the Group to include in its additional tier 1 capital the amount of EUR 30,000 thousand (equivalent to BGN 58,675 thousand),attracted via the capital instrument issued by the Group, an issue of perpetual, non-cumulative, non-convertible bonds registered on 20 December 2019 with the Central Depository under ISIN code BG2100023196

On 25 April 2019, the Group (through its subsidiary bank in Albania) issued subordinated term debt. The maturity date of the subordinated term debt is 25 April 2026, and it is denominated in Euro with total amount of EUR 2,000 thousand.

On 18 June 2020, the Group (through its subsidiary bank in Albania) issued subordinated term debt. The maturity date of the subordinated term debt is 25 April 2026, and it is denominated in Euro with total amount of EUR 2,000 thousand.

In BGN '000	Amortised cost as at 31 December 2021	Amortised cost as at 31 December 2020
Subordinated term debt with principal of EUR 2 million	3,943	3,943
Subordinated term debt with principal of EUR 2.9 million	5,679	5,680
Total	**9,622**	**9,623**

The two subordinated term debt fully comply with the requirements of Regulation 575/2013 and are included in the additional tier 2 capital.

30. Other liabilities

in thousands of BGN	2021	2020
Liabilities to personnel	1,406	1,878
Insurance contract provisions	5,586	4,711
Provisions for pending court cases	523	1,031
Impairment on off balance sheet commitments	1,356	843
Other payables	10,422	8,116
Total	**19,293**	**16,579**

31. Capital and reserves

(a) Number and face value of registered shares as at 31 December 2021.

The subscription for the public offering of shares of First Investment Bank AD was completed successfully on 3 July 2020. Out of the 40 000 000 ordinary dematerialized shares with nominal value of BGN 1, and issue value of BGN 5.00 each, a total of 39 084 800 shares were subscribed and paid up.

On 31 July 2020 First Investment Bank's capital increase was registered in the Commercial Register and Register of Non-for-profit Legal Entities. This registration was carried out after the subscription for shares was successfully completed on 03 July 2020 based on the prospectus confirmed by the Financial Supervision Commission.

Thus, the Bank's capital was increased to BGN 149 084 800 by issue of 39 084 800 new ordinary, registered, dematerialized shares, each with one voting right in the general meeting, with nominal value of BGN 1 and issue value of BGN 5. The amount of the capital after the increase was reflected in the By-Laws of First Investment Bank AD after approval granted by the Bulgarian National Bank.

With relation to this issue, the Bank's premium reserve increased by BGN 153,017 thousand, net of the issue costs, reaching a total amount of BGN 250,017 thousand (as at 31 December 2019: BGN 97,000 thousand).

(b) Shareholders

The table below shows those shareholders of the Bank holding shares as at 31 December 2021 together with the number and percentage of total issued shares.

	Number of shares	% of issued share capital
Mr. Ivailo Dimitrov Mutafchiev	46,750,000	31.36
Mr. Tzeko Todorov Minev	46,750,000	31.36
Bulgarian Bank for Development AD	27,350,000	18.35
Valea Foundation	11,734,800	7.87
Other shareholders (shareholders holding shares subject to free trade on the Bulgarian Stock Exchange – Sofia)	16,500,000	11.06
Total	**149,084,800**	**100.00**

(c) Statutory reserve

Statutory reserves include amounts set aside for purposes regulated by local legislation. According to Bulgarian legislation the Bank is obliged to set aside at least 1/10 of its annual profit as statutory reserve until the total amount of reserves reaches 1/10 of the Bank's share capital.

In 2010, as in the previous year, the Bank did not distribute dividends.

32. Commitments and contingent liabilities

(a) Contingent liabilities

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to two years.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for contingent liabilities represent the maximum accounting loss that would be recognised in the statement of financial position if counterparts failed completely to perform as contracted and any collateral or security proved to be of no value.

in thousands of BGN	**2021**	**2020**
Bank guarantees	164,055	181,347
Unused credit lines	671,131	588,900
Letters of credit	12,507	25,430
Total	**847,693**	**795,677**
Impairment on off balance sheet commitments	1,356	843

These commitments and contingent liabilities have off balance-sheet credit risk and only organization fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

The contingent loan is a framework agreement for collateral management under numerous loan transactions made with one or more clients. The contingent loan does not lead to an obligation of the Group to extend specific financial instruments. The negotiation of a specific loan transaction with the Group client, e.g. extension of a loan or overdraft, contingent liabilities, such as bank guarantees and letters of credit, is subject to a separate decision and approval of the Group.

As at the date of the report there are no other significant contingent liabilities and commitments requiring additional disclosure.

33. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises the following balances with less than 90 days original maturity:

In BGN '000	**2021**	**2020**
Cash and balances with Central Banks	1,970,814	2,133,197
Loans and advances to banks and financial institutions with original maturity less than 3 months	46,831	69,574
Total	**2,017,645**	**2,202,771**

34. Average balances

The average carrying amounts of financial assets and liabilities are set out in the table below. The amounts are calculated by using a simple average of monthly balances for all instruments.

in thousands of BGN	2021	2020
FINANCIAL ASSETS		
Cash and balances with Central Banks	1,970,372	1,898,055
Investments in securities	1,555,408	1,142,514
Loans and advances to banks and other financial institutions	81,164	80,748
Loans and advances to customers	6,486,634	6,203,222
FINANCIAL LIABILITIES		
Due to banks	11,591	1,565
Due to other customers	9,744,588	9,164,760
Liabilities evidenced by paper	115,414	106,255
Subordinated term debt	9,660	7,378
Hybrid debt	279,858	269,268

35. Related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party on making financial or operational decisions, or both parties are under common control.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and other transactions. These transactions were carried out on commercial terms and at market rates. The volume of these transactions and outstanding balances at the end of respective periods are as follows:

Type of related party	Parties that control or manage the Group		Enterprises under common control	
In BGN '000	**2021**	**2020**	**2021**	**2020**
Loans				
Loans outstanding at beginning of the period	1,769	2,327	70,992	7,709
Loans issued/(repaid) during the period	1,746	(558)	(628)	63,283
Loans outstanding at end of the period	**3,515**	**1,769**	**70,364**	**70,992**
Deposits and loans received:				
At beginning of the period	13,275	11,718	15,194	9,459
Received/(paid) during the period	450	1,557	(1,612)	5,735
At the end of the period	**13,725**	**13,275**	**13,582**	**15,194**
Deposits placed				
Deposits at beginning of the period	-	-	-	18,748
Deposits placed/(matured) during the year	-	-	-	(15,793)
Deposits at end of the period	-	-	**-**	**2,955**
Other receivables				
At beginning of the period	-	-	17,565	16,790
Received/(paid) during the period	-	-	472	775
At the end of the period	-	-	**18,037**	17,565
Other receivables				
At beginning of the period	-	-	-	-
Received/(paid) during the period	-	-	320	-
At the end of the period	-	-	**320**	-
Off-balance sheet commitments				
At beginning of the period	1,031	975	703	1,062
Issued/(expired) during the period	30	56	(109)	(359)
At the end of the period	**1,061**	**1,031**	**594**	**703**
Lease liabilities				
At beginning of the period	-	-	-	-
Issued/(expired) during the period	-	-	1,513	-
At the end of the period	-	-	**1,513**	-

Type of related party	Parties that control or manage the Group		Enterprises under common control	
In BGN '000	**2021**	**2020**	**2021**	**2020**
Interest income	24	25	2,085	2,415
Interest expense	8	10	1	1
Fee and commission income	16	14	861	166
Fee and commission expense	4	3	293	293

The key management personnel received remuneration of BGN 10,863 thousand for 2021 (2020: BGN10,087 thousand), and other related parties received BGN 1,882 thousand (2020: BGN 1,985 thousand).

36. Subsidiaries

(a) First Investment Finance B.V.

In April 2003 the Group created a special purpose entity, incorporated in the Netherlands, First Investment Finance B.V. The company is owned by the Group. The purpose for creating the entity is to accomplish a narrow and well-defined objective of receiving loans from foreign financial institutions and attracting investors by issuing bonds and other financial instruments guaranteed by the Group. The entity's issued and paid up share capital is EUR 18 thousand divided into 180 issued and paid up shares, each with nominal value of EUR 100. The Group consolidates its investment in the enterprise.

(b) Diners Club Bulgaria AD

In May 2005 the Group acquired 80% of the share capital of Diners Club Bulgaria AD. The company was incorporated in 1996 as a franchise and processing agent of Diners Club International. As at 31 December 2021 the share capital of the company is BGN 610 thousand, and the Group's shareholding is 94.79%. The Group consolidates its investment in the enterprise.

(c) First Investment Bank – Albania Sh.a.

In April 2006 the Group acquired 99.9998% of the capital of First Investment Bank - Albania Sh.a. upon its incorporation. On 27 June 2007 First Investment Bank – Albania was granted a full banking licence by the Bank of Albania, and on 1 September 2007 it effectively took over the activities of the former branch FIB – Tirana, assuming all rights and obligations, assets and liabilities.

As at 31 December 2021 the share capital of First Investment Bank – Albania Sh.a. was EUR 11,975 thousand, fully paid up, and the Group's shareholding is 100%. The Group consolidates its investment in the enterprise.

(d) Debita OOD and Realtor OOD - in liquidation

Acting jointly the Group and First Financial Brokerage House OOD (FFBH) set up two new companies Debita OOD and Realtor OOD, which were entered in the Commercial Registry in January 2010. The capital of the two companies is BGN 150,000 each, distributed in shares with value of BGN 100 each, as follows:

1. Debita OOD - 70%, i.e. 1,050 shares for the Group and 30%, i.e. 450 shares for FFBH OOD.
2. Realtor OOD - in liquidation - 51%, i.e. 765 shares for the Group and 49%, i.e. 735 shares for FFBH OOD.

The companies were established as servicing companies within the meaning of Article 18 of the Law on Special Investment Purpose Companies. The main lines of business for Debita OOD include acquisition, servicing, management and disposal of receivables and the related consultancy services; the main lines of business for Realtor OOD include management, servicing and maintenance of real estate, construction and refurbishment works and consultancy in the field of real estate. These companies are not included in the consolidated financial statements of the Group for the year ended 31 December 2021, as they are considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiaries is reconsidered at each reporting date.

By the decision of the general meeting of associates held on 14.06.2021 the operations of Realtor OOD were terminated and winding-up proceedings were initiated, to be completed within six months. The notice to creditors was published in the Commercial Register and Register of Non-for-Profit Legal Entities on 08.09.2021, and this is the starting date of the period for winding-up.

(e) Fi Health Insurance AD

In the second half of 2010 the Group acquired a majority stake capital of Health Insurance Fund FI Health AD (formerly Health Insurance Fund Prime Health AD), a company engaged in voluntary health insurance as well as acquisition, management and sale of investments in other companies. With a decision of the Financial Supervision Commission issued in June 2013 the company has been granted a license to operate as an insurer. The name was changed to FI Health Insurance AD and the principal activity is insurance – Disease and Accident. In June 2018 the company expanded its license with one more insurance class - "Various financial loss". As at 31 December 2021 the share capital of the company is BGN 5,000 thousand, and the Group's shareholding is 59.10%. The Group consolidates its investment in the enterprise.

(f) Balkan Financial Services EAD

In February 2011 the Group acquired 100 shares representing 100% of the capital of Balkan Financial Services EOOD. The company is engaged in consultancy services related to implementation of financial information systems and software development. In January 2012 the company was transformed into a sole-shareholder company. In 2019 First Investment Bank increased its capital from BGN 50 thousand to BGN 6,437 thousand, divided into 128,734 ordinary registered dematerialized shares with voting rights, of BGN 50 thousand par value each, and the increase of BGN 6,387 thousand was by a non-cash instalment – contribution of software and hardware. As at 31 December 2021 the share capital of the company is BGN 6,436.7 thousand, and the Group's shareholding is 100%. The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2021, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

On 11.11.2021 the Management Board of First Investment Bank as the sole shareholder of Balkan Financial Services EOOD decided to terminate the company, announce its liquidation and open winding-up proceedings; this resolution was approved by the Supervisory Board on 22.12.2021. The winding-up proceedings will continue with a notice in the Commercial Register and Register of Non-for-Profit Legal Entities published by the appointed liquidator to all creditors after expiry of the legally stipulated term of the notice to the revenue agency.

(g) Turnaround Management EOOD - deleted trader, Creative Investment EOOD and Lega Solutions EOOD

During the first half of 2013 the Group established as the sole shareholder the companies Turnaround Management EOOD, Creative Investment EOOD and Lega Solutions EOOD. Each company has the minimum required capital of BGN 2 and their principal activities include manufacturing and trade in goods and services in Bulgaria and abroad (Turnaround Management EOOD, Creative Investment EOOD), acquisition, management and sale of assets, information processing, financial consultations (Lega Solutions EOOD), etc. These companies are not included in the consolidated financial statements of the Group for the year ended 31 December 2021, as they are considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiaries is reconsidered at each reporting date.

After completion of winding-up proceedings for Turnaround Management EOOD, based on a resolution of the Management Board of First Investment Bank as the sole shareholder dated 07.01.2021 and approved by the Bank's Supervisory Board on 20.01.2021, on 11.01.2022 the company was delisted in the Commercial Register and Register of Non-for-Profit Legal Entities.

(h) AMC Imoti EOOD

AMC Imoti EOOD was registered in September 2010 and was acquired by the Group in 2013 through the purchase of MKB Unionbank EAD as its subsidiary. The scope of operations of the company includes activities related to acquisition of property rights and their subsequent transfer, as well as research and evaluation of real estate, property management, consulting and other services. As at 31 December 2021 the capital of the company is BGN 500 thousand, and the Group is the sole owner. The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2021, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

(i) Other

The Group indirectly holds the subsidiary Fi Health EOOD. The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2021, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

(j) MyFin EAD

At its meeting held on 21 March 2019 the Group's Managing Board decided to establish the sole-shareholder company MyFin EAD to be operating as an issuer of electronic money within the meaning of Article 34, Para. 2(2) of the Payment Services and Payment Systems Act. The Group's Managing Board decision was approved by the Supervisory Board on 27 March 2019. On 19 April 2019 the Group paid up the company's capital, amounting to BGN 1,000 thousand, as per the decisions of the competent bodies. The company holds a license to operate as an electronic money institution, and also has the right to carry out the activities listed in the payment services license, as stated in the company's scope of operation by Resolution No. 71 of 27.02.2020 issued by the BNB Governor, under No. BNB-26660/02.03.2020. After the company obtained its license, it was listed in the Commercial Register and Register of Non-Profit Legal Entities on 25.03.2020 under listing No. 20200325093135 The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2021, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

The company's own capital was increased from BGN 1 000 thousand to BGN 2 000 thousand through the issue and subscription by the Bank as the sole shareholder of 1 000 000 new ordinary registered dematerialised voting shares, each with a nominal value of BGN 1 (one), for a total value of BGN 1 000 000 (one million). The resolution for the capital increase was made by the Management Board at its meeting held on 17.06.2021, and then approved by the Bank's Supervisory Board on 30.06.2021. The company's company increase was listed in the Commercial Register and Register of Non-Profit Legal Entities on 02.09.2021 under listing No. 20210902164014.

37. Post balance sheet events

No adjusting and significant non-adjusting events have occurred after the end of the reporting period, other than those disclosed below:

- After completion of winding-up proceedings for Turnaround Management EOOD, based on a resolution of the Management Board of First Investment Bank as the sole shareholder dated 07.01.2021 and approved by the Bank's Supervisory Board on 20.01.2021, on 11.01.2022 the company was delisted in the Commercial Register and Register of Non-for-Profit Legal Entities.
- On 24 February 2022 Russia began large-scale action against Ukraine. In response to the Russian actions against Ukraine, the EU member states and the USA imposed wide-ranging sanctions against Russia and Belarus, including but not limited to, large Russian banks, some other companies, members of the Russian parliament and some representatives of the Russian elite and their families, and also banned primary/secondary trade in government bonds and other select securities. Secondary effects, such as the increasing prices and the sufficiency of energy supply in Europe, as well as the economic impact of various scenarios, are difficult to forecast and may have significant effects on the EU economy. The crisis has the potential to exacerbate further the already tense situation with energy prices in Europe, which may lead to slowing of the economy and to higher losses, including higher impairment.

The risks to future development include the potential impacts on the business model of macroeconomic and global geopolitical insecurity related to the Russian actions against Ukraine. Customers' activities may also be affected by the higher prices of energy and the disruption of supply chains.

The Group monitors the situation closely, and carries out additional stress tests under different scenarios. The Group's exposure to counterparties from Russia, Ukraine and Belarus is insignificant.

As at the time of preparation of these financial statements, the Management did not expect that as a whole the crisis would have immediate significant impacts on the Group's operations.

We strive
for improvement

Meeting the 2021 goals

N	Goals	Fulfilment
1	To be among the leading banks in the country, with a priority focus for development on the segments of retail banking and services for small and medium businesses	• In 2021, the portfolios of retail, micro, small and medium-sized enterprise loans registered increase to BGN 2,398 million, BGN 520 million, BGN 594 million and BGN 1,385 million respectively, accounting for 33.6%, 7.3%, 8.3% and 19.4% of the Group loan portfolio, or a total of 68.7% (2020: 61.8%). • The Bank preserved its leading position among institutions in the country: fifth in deposits, fourth in corporate loans, fifth in consumer loans and sixth in mortgage loans. • New products were developed in the SME segment aimed at sustainable development (Green Transport, Green Energy - Free Market and Green Energy - Own Use), as well as new savings products and investment solutions for business customers and individuals (Gold Account , Eco Portfolio, Gold Portfolio). • During the year, First Investment Bank actively provided loans under the BDB Program for guaranteeing interest-free loans to protect people deprived of the opportunity to work due to the COVID-19 pandemic. • Digital services were developed, taking into account the new needs of customers and the demand for online services (fully online account opening, applying for mortgage loans through digital channels, digitizing cards in third-party apps). • Granting of loans started under the Recovery Program of the BDB and the Fund Manager of Financial Instruments in Bulgaria for portfolio guarantees in support of the micro, small and medium-sized enterprises affected by the COVID-19 epidemic. • A new agreement was signed with the Fund Manager of Financial Instruments in Bulgaria for granting loans to farmers under the Financing in Rural Areas financial instrument. *For more information see sections „Financial review" and „Business review".*
2	To continue its development as a customer-oriented bank, with high quality service, preferred by the population and business customers	• The deposit base of the Group increased to BGN 9,973,631 thousand at the end of the period (2020: BGN 9,542,276 thousand). The total loan portfolio also increased, reaching BGN 6,653,944 thousand (2020: BGN 6,312,887 thousand). • An increase was reported in balances on current accounts of both individuals (26.0%) and businesses (18,0%), in line with the policy for maintaining long-term relationships with customers. There was further development in cross-selling and transaction business, which contributed to the increase in commission income (by 24.5% during the year). • The Bank focused on development of its digital sales during the year, introducing new functionalities and services in the electronic and mobile banking in response to changing customer attitudes to remote banking and aiming at higher satisfaction and quality of service. • Proof of the high quality of service was the award received during the year – Favorite Brand award and first place in the Financial Institutions category by the My Love Marks consumer rating. *For more information see sections „Business review", „Highlights 2021" and „Awards 2021"*

3	To invest in the creation of new, creative products and in the development of digital services, providing its customers with competitive advantages	• A video consultation service on credit products for individuals was launched, available at the corporate website www.fibank.bg, as well as via My Fibank digital banking or My Fibank mobile app. • Fibank became the first bank in the country to offer innovative payments with smart watches through the Fitbit pay service. The option was also provided to digitize cards issued by the Bank, including in third party apps. • A new Debit Mastercard Platinum was launched for the premium segment, offering a number of benefits including a virtual assistant application (AskPLEEZ!) and concierge services. • First Investment Bank offered the Gold Account, an innovative product for purchase, sale and keeping of dematerialized gold (XAO). • New structured investment products were launched, designed for retail and business customers: the Gold Portfolio and the Eco Portfolio, linked respectfully to the price of gold and to green bonds. • Fully online account opening and consumer lending were offered, as well as applying for mortgage loans through digital channels of the Bank. • The Branch digitalization project was launched, involving electronic signing of documents in the branch network of the Bank. • The new MyCard virtual credit was offered with a pre-approved credit limit, issued entirely online. • Myfin EAD developed the functionalities of its digital wallet through new services, related to personal finance management, utiliity payments and online purchases. • Proof of the accomplished by the Group during the year in the sphere of digital banking was the award received for Digital Bank of the Year – Bulgaria by the international Global Brands Magazine, as well as for establishing the trademark of the subsidiary Myfin EAD by "Business Lady" magazine. *For more information see sections „Business review", „Business review of subsidiary companies" and „Distribution channels".*

4	To develop a sustainable business model	• The Group of First Investment Bank reported a steady growth of assets which reached BGN 11,897,221 thousand at the end of 2021 (2020: BGN 11,335,420 thousand), notwithstanding the challenges of the external environment and the COVID-19 pandemic. • At the end of 2021, the Group reported stable capital ratios as follows: common equity Tier (CET1) ratio 17.33%, Tier 1 capital ratio 20.72% and total capital adequacy ratio 20.84%, exceeding the minimum regulatory capital requirements. • Fibank maintained high liquidity, with liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of 256.37% and 139.81% respectively at the end of the period. • In 2021, the Bank operated in accordance with its strategy for maintaining a moderately low level of risk. • Non-performing exposures of the Group decreased by 11.4% YOY, in implementation of the strategy for their reduction and as a result of implemented measures for improved collections, write-offs and portfolio sales. • New credit products (Green Transport, Green Energy - Free Market and Green Energy - Own Use) were developed in implementation of the Bank's policy for reducing the carbon footprint and investing in sustainable development. • In 2021, the Bank continued to develop its branch network in search of a balance between digital channels and physical locations. As at 31 December 2021 the branch network on a consolidated basis consisted of 141 branches and offices (2020: 149). *For more information see sections „Financial review", „Risk management" and „Sustainable development".*
5	Achieving good financial results, incl. in terms of return on capital and cost/ income ratio	• In 2021, the Group of First Investment Bank reported increased financial results and sustainable development in an environment affected by the COVID-19 pandemic and its aftermath. • Group profit after tax increased to BGN 111,408 thousand compared to BGN 45,517 thousand a year earlier, mainly driven by higher operating income and decreased administrative costs. • Total operating income of the Group grew to BGN 434,970 thousand (2020: BGN 373,709 thousand) with increase reported in all key income sources, including net interest income (by 13.1%) and net fee and commission income (by 24.5%). • Return on equity (after taxes) reached 8.85% (2020: 4.22%), in line with the set ROE target of over 8%. Return on assets (after taxes) was 0.96% (2020: 0.42%). • The cost/income ratio decreased to 43.40% by the end of the period (2020: 56.34%), in line with the objective to consistently maintain this ratio below 50%.

Subsequent events

- In January 2022 First Investment Bank launched the innovative instant payment (up to 10 seconds) service in BGN under the Blink scheme operated by BORICA AD. The service is available through My Fibank digital banking for transfers up to BGN 30,000.
- In January 2022, pursuant to the decision of Fibank to close its subsidiary Turnaround Management EOOD, the company was deleted from the Commercial Register.

For further information, see the Consolidated Financial Statements for the year ended December 31, 2021.

Development priorities

Universal Bulgarian bank, leading in key segments

- Setting a priority on the development of retail and SME segments.
- Offering new and creative products, providing customers with convenience and security.
- Upgrading the cross-selling and transactional business models.

High quality customer service

- Maintaining highest quality of customer service by developing motivational programs and training for employees.
- Speed in customer service by improving IT systems and applying customer-oriented approaches.
- Development of personalized services.

Focus on digitization and innovation

- Implementation of technological innovations.
- Development of digital services, mobile applications and e-banking.
- Optimization of IT and business processes in line with innovation in banking.

Stable and sustainable business model

- Ensure sound capital position and effective liquidity management.
- Maintain optimal asset structure and reduce loan portfolio risk.
- Offer products and finance projects aimed at sustainability and supporting the green idea, as well as implement environmentally friendly internal processes.

Return for shareholders and cost optimisation

- Achieve return on equity of over 8% by end-2023.
- Achieve a sustainable cost-to-income ratio below 50%.
- Invest in profitable securities and revenue diversification.

Other information

Members of the supervisory board

Evgeni Lukanov - Chairman of the Supervisory Board

Mr. Lukanov joined First Investment Bank AD in 1998 as Deputy Director, and later as Director and General Manager of the Tirana Branch, Albania. From 2001 to 2003 he was Director of the Bank's Vitosha Branch (Sofia).

Mr. Lukanov has occupied a number of senior positions with First Investment Bank AD. From 2003 to 2007 he was Director of the Risk Management Department and Member of the Managing Board. From 2004 to 2012 - Executive Director and Member of the Managing Board of First Investment Bank AD.

During his years of work in First Investment Bank AD, Mr. Lukanov has been Chairman of the Credit Council and the Liquidity Council of the Bank. He has been in charge of the following departments: Risk Management, Impaired Assets and Provisioning, Loan Administration, Specialized Monitoring and Control, Retail Banking, Methodology, and Liquidity.

Mr. Lukanov has also been member of the Managing Board of First Investment Bank – Albania Sh.a.

At the beginning of February 2012, Mr. Lukanov was elected as Chairman of the Supervisory Board of First Investment Bank AD. For the period 2012-2019 he was Chairman of the Risk Committee to the Supervisory Board of the Bank and since May 2019 was elected as Chairman of the Remuneration Committee to the Supervisory Board of the Bank.

Mr. Lukanov holds a Master's Degree in Economics from the University of National and World Economy, Sofia. Prior to joining First Investment Bank AD, Mr. Evgeni Lukanov worked as currency broker with First Financial Brokerage House OOD.

Besides his position on the Supervisory Board of the Bank, Mr. Lukanov is also Chairman of the Board of Directors of Fi Health Insurance AD. He is owner of ET Imeksa-Evgeni Lukanov and holds more than 10% of the capital of Avea OOD.

Maya Georgieva - Deputy Chair of the Supervisory Board

Prior to joining First Investment Bank, Ms. Maya Georgieva worked with the Bulgarian National Bank for 19 years where she gained considerable experience in international banking relationships and payments, banking statistics and firm crediting. Her last appointment with BNB was as Head of the Balance of Payments Division.

Ms. Maya Georgieva joined First Investment Bank AD in 1995 as Director of the International Department. From 1998 to 2012 she served as Executive Director of First Investment Bank and Member of the Managing Board. During her years of work in the Bank she has been responsible of the following departments: International Payments, Letters of Credit and Guarantees, SME Lending, Human Capital Management, Administrative Department, Sales Department, Retail Banking, Marketing, Advertising and PR, Branch Network, Private Banking and the Vault.

Alongside her responsibilities at the Bank, Ms. Georgieva has also occupied a number of other senior executive positions. From 2003 to 2011 she chaired the Supervisory Board of CaSys International - a Northern Macedonia-based card processing company servicing card payments in Bulgaria, Northern Macedonia and Albania.

From 2009 to 2011 she was Chair of the Board of Directors of Diners Club Bulgaria AD - a franchise company of Diners Club International, owned by First Investment Bank. In this capacity, she inspired the launch of a number of products, including the first female-oriented credit card. From 2006 to 2011 she was also member of the Managing Board of First Investment Bank - Albania Sh.a., a subsidiary of First Investment Bank.

In the beginning of February 2012, Ms. Georgieva was elected as Deputy Chair of the Supervisory Board of First Investment Bank AD and Chair of the Presiding Committee to the Supervisory Board of First Investment Bank AD.

Ms. Georgieva holds a Masters Degree in Macroeconomics from the University of National and World Economy in Sofia and has post-graduate specializations in International Payments and Balance of Payments with the International Monetary Fund and Banking from Specialized postgraduate course of BNB joint with the Bulgarian Union of Science and Technology.

She was granted several times with the "Banker of the Year" award of the Bulgarian financial weekly "Banker" - in 2001 and 2011, as well as in 2018 for overall contribution to the development of the banking system.

Radka Mineva - Member of the Supervisory Board

Prior to joining First Investment Bank AD, Ms. Mineva worked as a capital markets dealer at the Bulgarian National Bank where she gained considerable experience in banking. During the time spent with the Central Bank, she specialized at the Frankfurt Stock Exchange and the London Stock Exchange as a capital markets dealer.

Ms. Mineva started her career with the foreign trade enterprise Main Engineering Office, where she worked for 9 years; she also spent three years as an expert at RVM Trading Company.

Since 2000, Ms. Mineva has been a Member of the Supervisory Board of First Investment Bank AD. Since May 2019, she was elected as Member of the Presiding Committee to the Supervisory Board of First Investment Bank.

She is a graduate of the University of National and World Economy in Sofia, with a degree in Trade and Tourism.

Besides her position on the Supervisory Board of the Bank, Ms. Mineva is Manager of Balkan Holidays Services EOOD - a company with activities in the sphere of tourism, transportation, hotel business, tour operation, and tour agency services. Ms. Mineva is also Manager of Balkan Holidays Partners OOD - a company engaged in international and domestic tourism services, foreign economic transactions, and financial management. Ms. Mineva owns more than 25% of the capital of Balkan Holidays Partners OOD. She is also Member of the Managing Board of the non-profit organization "National Board of Turism" and of the non-profit organization "Union of investors in tourism".

Jordan Skortchev - Member of the Supervisory Board

Before joining First Investment Bank AD, Mr. Jordan Skortchev worked for two years with the Central and Latin America Department of the foreign trade organization Intercommerce, followed by five years with First Private Bank, Sofia as an FX Dealer and Head of the Dealing Division.

Mr. Skortchev joined First Investment Bank in 1996 as Chief Dealer, FX Markets. From 2001 to 2012 Mr. Skortchev was Member of the Managing Board and Executive Director of the Bank. During his years of work in the Bank, Mr. Skortchev has been responsible for the following departments: Card Payments, Operations, Gold and Numismatics, Internet Banking, Dealing, Security and Office Network-Sofia.

Alongside his responsibilities at the Bank, Mr. Skortchev has also occupied other senior executive positions. Mr. Skortchev has been Chairman of the Supervisory Board of UNIBank AD, Republic of Northern Macedonia, member of the Supervisory Board of CaSys International, Republic of Macedonia, member of the Board of Directors of Diners Club Bulgaria AD, member of the Board of Directors of Bankservice AD, member of the Board of Directors of Medical center FiHealth AD, and Manager of FiHealth OOD.

In the beginning of February 2012, Mr. Skortchev was elected as a Member of the Supervisory Board of the Bank. For the period 2012-2019, he was Chairman of the Remuneration Committee to the Supervisory Board of First Investment Bank AD. Since May 2019, Mr. Skortchev was elected as Chairman of the Nomination Committee to the Supervisory Board of First Investment Bank AD.

Mr. Skortchev holds a Masters Degree in International Economic Relations from the Higher Institute of Economics (now the University of National and World Economy) in Sofia. He has specialized in banking in Luxembourg, in swap deals at Euromoney, and in futures and options at the Chicago Stock Exchange.

Mr. Skortchev holds more than 10% of the capital of Investment intermediary Delta Stock AD.

Jyrki Koskelo – Member of the Supervisory Board

Mr. Jyrki Koskelo was elected as member of the Supervisory Board of First Investment Bank AD in June 2015. In his capacity as an independent member Mr. Koskelo supports the Supervisory Board in setting up the business objectives and the strategy of the Bank, the corporate culture and values, as well as in overseeing good corporate governance practices and effective risk management. Since the end of 2019, he has been Chairman of the Risk Committee to the Supervisory Board of First Investment Bank AD. Mr. Koskelo has long-term experience in banking and global financial markets, as well as wide professional practice in different geographical regions.

Mr. Koskelo worked in the International Finance Corporation (IFC - a member of the World Bank Group) for 24 years, from 1987 to late 2011. The first 13 years he worked as an Investment Officer covering the Central and Eastern Europe and Africa regions. In 2000, he was appointed as Director Work-out Loans and in 2004 he became Director Global Financial Markets. In 2007, he was appointed as Vice President (reporting to the CEO) and a member of the IFC's Management Committee. Mr. Koskelo led the formulation and implementation of the IFC's investment strategy, policies, and practices across industries and regions, including in Central and Eastern Europe, Latin America and Africa. His major legacies include IFC's entry to Global Trade Finance Programs, decentralization of the organization with significant staffing across emerging markets, IFC's leading role in private sector side of Vienna Initiative to support Central Europe banks after Lehman Crisis and establishment of IFC's Asset Management subsidiary's first $3 billion fund for capitalization of weak banks in poor countries.

Prior to joining the IFC, he spent close to 10 years in senior management positions in the private sector in the Middle East and in USA.

Mr. Koskelo currently holds a number of senior and advisory positions in European and African organizations and financial institutions including:

- AATIF (a KfW & EU sponsored Africa Agriculture and Trade Investment Fund), Luxemburg – Member of the Board of Directors, Chairman of the Investment Committee;
- EXPO Bank, Czech Republic – Member of the Supervisory Board;
- Gulf Marine Services PLC (GMS International), UK – Member of the Board of Directors.

During the period 2012 – up to 2019 Mr. Koskelo acted in multiple Supervisory Board and advisory positions including in the Africa Development Corporation, Germany; African Banking Corporation, Botswana; RSwitch, Rwanda; EXPO Bank, Latvia, AtlasMara Co-Nvest LLC, UK, and in Al Jaber Group, UAE.

Mr. Koskelo holds a Master of Science (M.Sc.) degree in Civil Engineering from the Technical University of Helsinki, Finland and a Master of Business Administration (MBA) in International Finance from the Massachusetts Institute of Technology (MIT), Sloan School of Management in Boston, USA.

Members of the managing board

Nikola Bakalov – Chief Executive Officer (CEO) and Chairman of the Managing Board

Mr. Nikola Bakalov has extensive experience in the banking and insurance sector in Bulgaria, combined with proven professional and managerial skills. From December 2000 to September 2011, he worked at First Investment Bank AD, taking increasing responsibilities from Card Services Specialist to Director of the Card Payments Department, which position he held for almost 6 years. During this period he was also elected as member of the executive committees of Mastercard Bulgaria and VISA Bulgaria.

In the period December 2011 - August 2012, Mr. Bakalov was member of the Managing Board of Allianz Bank Bulgaria AD, where he served as Executive Director, and subsequently as Chief Executive Officer.

From 2013 to August 2020, Mr. Bakalov was Executive Director of FiHealth Insurance AD, where he expanded significantly the activity of the company and transformed it in a leading company in the sphere of health insurance.

At the beginning of 2020, he was elected as Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director of First Investment Bank AD, responsible for the retail banking business lines within the Bank.

Since April 2020 Mr. Bakalov has been elected as Chief Executive Officer (CEO) and Chairman of the Managing Board of First Investment Bank AD.

Responsibilities in the Bank – Compliance function, Legal Department, Corporate Communications Department, Marketing and Advertising Department, Human Capital Management Department, Administrative Department, Asset Management Department, Information Technologies Department and Protocol and Secretariat Department.

Mr. Bakalov holds a Master's degree in International Economic Relations from the University of National and World Economy in Sofia, and has additional specializations in card payments, finance retail services and corporate governance.

Apart from his position at the Bank, Mr. Bakalov is Deputy chairman of the Board of Directors of FiHealth Insurance AD.

Svetozar Popov – Chief Risk Officer (CRO), Member of the Managing Board and Executive Director

Mr. Svetozar Popov joined First Investment Bank AD in 2004 as part of the Risk Management Department, and was shortly thereafter promoted to Head of the Credit Risk Division. From 2006 to 2008 he was Deputy Director of Risk Management, during which period he also chaired the Bank's Credit Council. From 2016 to 2017, Mr. Popov held the office of Chief Compliance Officer (CCO), and in May 2017 he was appointed as Chief Risk Officer (CRO), Member of the Management Board and Executive Director of First Investment Bank AD.

From 2008 to 2015, Mr. Popov was member of the Managing Board and Executive Director of UNIBank AD, Northern Macedonia, where he gained significant management experience and was responsible for the areas of risk management, credit administration, and finance. Prior to joining First Investment Bank AD, Mr. Popov worked at Raiffeisenbank (Bulgaria) EAD as an SME loan officer.

Mr. Popov holds a Masters degree in Finance from the University of National and World Economy in Sofia, and has obtained additional qualifications in the field of financial analysis from the European Bank for Reconstruction and Development (EBRD) and other internationally recognized institutions, as well as practical experience in foreign banks.

In the Bank he is responsible for the Risk Analysis and Control Department, the Credit Risk Management, Monitoring and Provisioning Department, the Impaired Assets Department, the Loan Administration Department, Security Department, Information Security Department and the specialized unit Strategic Risk Management.

Besides his position in the Bank, Mr. Popov is a Chairman of the Supervisory Board of UNIBank, Republic of Northern Macedonia, Chairman of the Board of Directors of MyFin EAD and a Manager of Debita OOD.

Chavdar Zlatev - Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director

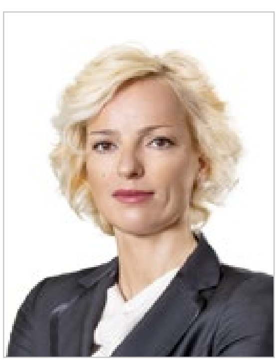
Mr. Chavdar Zlatev joined the team of First Investment Bank AD in 2004 as Chief specialist in the SME Lending Department. Soon afterwards he was promoted to Deputy Director of the Department. From 2006 to 2009 he was manager of the Vitosha branch of First Investment Bank AD. He was subsequently appointed Deputy Director of the Branch Network Department, and in 2010 promoted to Director of the Department. In early 2011, he was appointed Director of the Corporate Banking Department, and has participated in the development and implementation of a number of banking products. In November 2014 Mr. Zlatev was elected member of the Managing Board of First Investment Bank AD, and from February 2018 was appointed as Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director.

Alongside his responsibilities in the Bank for the period during 2011-August 2020 he was member of the Board of Directors of FiHealth Insurance AD.

Prior to joining First Investment Bank AD, Mr. Zlatev worked in CB Unionbank AD as a senior bank officer, Corporate clients. He holds a Master's degree in Macroeconomics from the University of National and World Economy in Sofia. He has specialized loan products and practices in Bank of Ireland, as well as contemporary banking practices in Banco Popolare di Verona.

Responsibilities in the Bank – Corporate Banking Department, Corporate Sales and Public Procurements Department.

Besides his position with the Bank, Mr. Zlatev is a member of the Management Board of First Investment Bank – Albania Sh.a.



Ralitsa Bogoeva – Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director

Ms. Ralitsa Bogoeva has been Chief Retail Banking Officer, Member of the Managing Board and Executive Director of First Investment Bank AD since May 2020. She has extensive professional experience in various fields of banking.

Ms. Ralitsa Bogoeva joined the team of First Investment Bank AD in 2002 as a Retail Loan Officer and a year later was promoted to Deputy Director of the Retail Banking Department, a position she held for eight years. From 2011 to 2018 she was Director, Internal Audit of Fibank. From June 2018 to 2020, Ms. Bogoeva held the position of Chief IT and Operations Officer at the Bank. During her professional career, Ms. Bogoeva has managed various projects in the fields of finance, the development and administration of products for individuals and businesses, as well as innovative projects in the field of information technology and digitalization of banking.

Ms. Bogoeva has a Master's degree in Accounting and Control from the University of National and World Economy in Sofia, as well as a number of additional qualifications in the areas of banking, international auditing standards, planning and project management.

Responsibilities in the Bank – Retail Banking Department, Private Banking Department, Digital Banking Department, Card Payments Department, Branch Network Department, Organisation and Control of Customer Service Department, Gold and Commemorative Coins Department, the Vault.

In addition to her position in the Bank, Ms. Bogoeva is a member of the Board of Directors of Diners Club Bulgaria AD, a member of the Board of Directors of MyFin EAD and a member of the Supervisory Board of UNIBanka AD, Northern Macedonia. She owns 25% of the capital of Raya Homes OOD.

Ianko Karakolev – Chief Financial Officer (CFO) and Member of the Managing Board

Mr. Ianko Karakolev was elected Chief Financial Officer (CFO) and Member of the Managing Board of First Investment Bank AD in June 2020. He is a longtime financial analyst and staff member of First Investment Bank AD.

Mr. Karakolev joined the Bank's team in 1999 as an accountant-controller in the Financial and Accounting Department and soon became Director of the Internet Branch. In the period 2002-2007 he was promoted from Head of the Financial Statements, Analyzes and Budgeting unit to Deputy Chief Accountant. After that, until 2011, he held the position of Deputy Director of the Finance and Accounting Department. From 2011 to 2014 he was Chief Financial Officer and Director of the Finance and Accounting Department, and in the period 2014-2020 was Director of the Finance Department. During his professional career, Mr. Karakolev has participated in the management of many innovative projects contributing to the implementation of international standards and the development of banking, as well as in corporate actions such as the acquisition of MKB Unionbank and its subsequent merger with First Investment Bank AD.

Prior to joining the team of First Investment Bank AD, Mr. Karakolev worked at Bulgarian Commercial and Industrial Bank AD as an accountant. He holds a Master's degree in Finance from the University of National and World Economy in Sofia and has professional certificates and qualifications in the fields of international financial and accounting standards, the European regulatory framework on banking and reporting, management and business planning.

Responsibilities in the Bank – Finance Department, Accounting Department, Treasury Department, Investor Relations Department, Financial Institutions and Corresponding Banking Department and Intensive Loan Management Department.

In addition to his position in the Bank, Mr. Karakolev is a member of the Steering Council and of the Audit Committee of First Investment Bank - Albania Sh.a., member of the Board of Directors of Balkan Financial Services EAD and member of the Supervisory Board of UNIBanka AD, Northern Macedonia.

Nadia Koshinska – Member of the Managing Board and Director of SME Banking Department

Ms. Nadia Koshinska joined Fibank in 1997 as a corporate loan expert. In 2002, she was appointed Deputy Director Loan Administration and held this position until 2004. In 2004 Nadia Koshinska was appointed Director SME Lending Department responsible for increasing the market share of the Bank through implementing special programs and dedicated products for SMEs. Also in 2004, she was appointed as a member of the Credit Council. At the end of 2015, Ms. Koshinska was elected as Chief Retail Banking Officer (CRBO) and Member of the Managing Board, while since September 2017 is a Member of the Managing Board and Director of SME Banking Department.

Prior to joining First Investment Bank AD she worked in the balance of payments and foreign debt division in Bulgarian National Bank.

Ms. Nadia Koshinska holds a Masters degree in Accounting and Control from the University of National and World Economy in Sofia.

In the Bank she is responsible for the SME Banking Department.

Ms. Koshinska does not hold outside professional positions.

The present Consolidated Activity report for 2021 was approved by the Managing Board of First Investment Bank AD in accordance with the Bank's internal regulations at a meeting dated 28 April 2022.

Svetozar Popov

Executive Director,
Chief Risk Officer,
Member of the Managing Board

Chavdar Zlatev

Executive Director,,
Chief Corporate Banking Officer,
Member of the Managing Board

Ianko Karakolev

Chief Financial Officer,
Member of the Managing Board

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Sofia 1301, 20, Aleksandar Stamboliyski Blvd.
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Sofia 1404, 81G Bulgaria Blvd.
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Sofia 1142, 35, Vasil Levski Blvd.
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Sofia 1415, Zh.k. (Quarter) Dragalevtsi
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Sofia 1797, 37, Dragan Tsankov Blvd.
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Sofia 1303, 125, Aleksandar Stamboliyski Blvd.
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Generali
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Sofia 1000, 28 Hristo Botev Blvd.
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Sofia 1330, Nikola Mushanov Blvd., bl. 31A, floor 1
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Sofia 1202, 67, Maria Luisa Blvd.
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NDK (National Palace of Culture)
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Sofia 1387, 58A, Akademik Dimitri Lihachov Blvd.
phone: (+359 2) 800 2091

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Burgas 8011
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Burgas 8005
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Kyustendil 2500, 147, Tsar Osvoboditel Blvd.
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Vasil Levski – Pleven
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4002 Plovdiv, 35, 6th september Blvd.
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Ruse 7000, 100, Tutrakan Blvd.
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Sliven
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74, Tsar Simeon Veliki Blvd.
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Stara Zagora
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Trayana – Stara Zagora
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Tsar Simeon – Stara Zagora
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Breeze – Varna
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FC Mall Varna
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